

**GOVERNMENT THAT WORKS!**  
**NEW JERSEY DEPARTMENT OF THE TREASURY**  
**LOCAL GOVERNMENT BUDGET REVIEW**  
**ATLANTIC CITY BOARD OF EDUCATION**

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## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### ***The Report of the Atlantic City Board of Education Budget Review Team***

New Jerseyans deserve the best government and schools that their tax dollars can buy. Governor Christie Whitman is committed to making State government leaner, smarter, and more responsive, by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board.

Government on all levels must stop thinking that more money is the solution to their problems, and start examining how they spend the money they have now. The State's taxpayers cannot afford to keep sending money to their government. It is time for government to do something different.

There is no doubt that local school and government costs -- and the property taxes that pay for them--have been rising steadily over the last decade. Until now, the State has never worked with towns to examine what is behind those rising costs. That is why the Local Government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings without compromising the delivery of services to students and the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address when she offered the State's help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers and school administrators. In effect, it gives local governments a management review and consulting service provided to them at no cost by the State.

To find those "cost drivers" in local government, the teams will review all aspects of the local schools and government operation, looking for ways to improve efficiency and reduce costs. The teams will also document those State regulations or legislative mandates which place an unnecessary burden on local governments, and suggest which ones should be modified or eliminated. Finally, the teams will note where local schools and governments are utilizing "Best Practices" -- innovative ideas that deserve recognition and that other municipalities may want to emulate.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to communities and the State.

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## **THE REVIEW PROCESS**

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation of the review team's findings and recommendations.

As part of the review of the Atlantic City Public School District, team members conducted approximately 100 interviews of board members, school administrators, supervisors, directors, teachers, city officials, county education officials, district employees, parents, and community members. Various documents including the budget statement(s), audit reports, negotiated agreements, personnel contracts, payroll and salary records, vendor analyses, account analyses, board policy manual, board agendas and minutes, and numerous other documents were examined. Included also were the recent New Jersey Department of Education Level II Monitoring Report and the district's corresponding Corrective Action Plan (CAP) and other state documents. The review team physically visited all school sites and observed work procedures throughout the school system. Board of education meetings, committee and other meetings were observed as well.

In general, the review team received full cooperation and assistance of all employees and elected officials. It is with this cooperative spirit the review team anticipates most to accept its findings and recommendations for change. Those officials who remain skeptical for change or need for improvement will present a significant challenge for those committed to embracing the recommendations and savings outlined in this report.

## COMMUNITY OVERVIEW

Atlantic City is an Atlantic Ocean island community located in southern New Jersey some 60 miles east of Philadelphia and 100 miles south of New York City. The city shares Absecon Island with the three downbeach communities of Ventnor, Margate and Longport. It is world renown for its tourist attractions, famous beach, convention center, boardwalk and, since 1976, gambling casinos. The total area encompassed by the city is 11.35 square miles.

Atlantic City has a diverse population of approximately 38,000 residents. The racial breakdown according to the 1990 US Census is 45% African-American, 31% Caucasian, 13% Hispanic origin, 3% Asian/Pacific Islander and 8% representing other cultures. Some 17 different languages are spoken. With this culturally diverse population and the impact of the casino industry, the City's schools reflect a highly transient population.

The city population is made up of the following age groups: under 5 years - 8%; 5-18 years (school age) - 15%; 18-64 years - 58%; and over 65 years - 19% with the median age being 34.7 years. The median family income (1989) is \$27,804. 9,208 persons are classified as living below the poverty line.

The casino industry has provided a strong financial base for the city. In addition to providing a high ratable base, the casinos provide some 48,000 jobs to Atlantic County residents (43% of the total county workforce).

The Atlantic City schools are made up of eight elementary schools, two junior high schools and one high school. The total enrollment (October 15, 1995 ASSA Report) is 7,016 students. An additional 232 students are educated with Atlantic City schools funds for out-of-district special education, alternative and adult school programs. Included in the high school (grades 9-12) enrollment are 658 tuition students from the neighboring communities of Brigantine (238), Ventnor (273), Margate (135) and Longport (12). The transient rate for the Atlantic City schools is nearly 25%. 89% of the students are eligible for free or reduced lunches.

The focal point of the school facilities is the new \$83 million Atlantic City High School (opened in November, 1994). There are tentative plans in place to build seven new (replacement) K-8 elementary schools and to renovate two others. The projected cost is estimated to be \$104,500,000.

The district is currently in Level II Monitoring by the New Jersey Department of Education. They have responded with a comprehensive Corrective Action Plan (CAP) in response to 135 directives in the monitoring report. They have also developed Campus Improvement Plans (CIP's) focusing on six goals in their Quality Assurance Annual Report (QAAR) submitted in October, 1995.

The district offers a diversified curricula with many pupil support programs. Included are special education, basic skills, bilingual, two-way bilingual, alternative and adult education programs. The district also supports the neighborhood school concept and, with limited success, site based management.

**LOCAL GOVERNMENT BUDGET REVIEW  
EXECUTIVE SUMMARY  
ATLANTIC CITY BOARD OF EDUCATION**

The Local Government Budget Review conducted an extensive study of the Atlantic City Public Schools in response to a request by the Atlantic City Board of Education. Some 27 areas were reviewed with various recommendations for cost savings and/or for managerial reform. Following is an executive summary of the findings and recommendations and dollar savings as appropriate:

**1. Statistical Comparison**

Statistical data of comparable districts to Atlantic City is provided as a basis for making many of the recommendations.

**2. Hiring Practices**

Significant problems associated with the hiring practices of the district are reported.

**3. Administrative Costs**

Recommendations are made to reduce or restructure the administrative staff that could generate a savings of \$1,627,139.

**4. Legal Fees**

Terminating the current Solicitor's contract and employing a full time staff attorney could generate a savings in excess of \$150,000.

**5. Consultant Services Contracts**

Better management of consultant services contracts could result in an immediate savings of \$21,000+.

**6. Contract Negotiations**

Recommendations are made for the negotiating of future labor agreements that could save tens of thousands of dollars.

**7. Employee Health Benefits**

Utilizing State authority to require employees to contribute to family dependent coverage could realize a savings of \$107,439.

**8. Personnel - Sick Leave**

A Staff Attendance Improvement Plan to reduce teacher sick leave time by just the average of one day, could result in a savings in substitute pay of \$44,232.

**9. High School Instructional Staff**

A return to the pre-paradigm 1993-94 high school teaching staff count of 123 members (reduction of six teachers) could generate a savings of \$252,205.

**10. Driver Education**

The elimination of the behind-the-wheel portion of the driver education program could save in excess of \$13,500.

**11. Professional Trips**

A closer scrutiny of the requests and approvals for administrative staff and board member professional trips could result in savings of approximately \$20,000.

**12. Credit Cards/Cellular Phones**

The use of credit cards and cellular phones is under investigation by the Atlantic County Prosecutors Office. The elimination of the use of credit cards and the discontinuance of the use of cellular phones could save approximately \$10,000.

**13. Transportation**

Through condensing existing transportation routes and creation of late routes from the high school to the sending districts, the district could generate an estimated savings of \$90,000.

**14. Facilities - Building Program**

A revision of proposed plans for a major building program costing \$104,500,000 could generate a savings to the district over 20 years well in excess of from \$75,119,670 to \$84,212,190.

**15. Custodial and Maintenance Services**

Two options - one to privatize and one to reduce staff - in the area of maintenance and custodial services could generate savings of between \$1,071,935 and \$1,406,385.

**16. Purchasing Procedures**

Recommendations are made to follow established board purchasing procedures.



## **17. Security**

The LGBR recommends a complete study be made of all security operations with an opportunity for savings.

## **18. Investment and Banking Management**

Through careful study and analysis of optional investment and banking opportunities and procedures, a projected investment income of \$493,951 could be realized.

## **19. Sending/Receiving Tuition**

Insisting upon timely payment of tuition by the sending districts and with the investment of these funds, the district could generate approximately \$124,562 in interest income.

## **20. Food Services**

Through either of the two options - one to privatize and one to more appropriately manage food service staff and their benefits - the district could save from \$353,408 to \$537,000.

## **21. Shared Services**

It is highly recommended that the district pursue shared services opportunities with the city, county, agencies and particularly the sending districts.

## **22. Regionalization**

The advantages and disadvantages of regionalization with the sending districts should be explored.

## **23. Special Education**

The return of a portion of out-of-district placements of special education students could result in a minimum savings of \$45,845.

## **24. Bilingual Education**

Restructuring of the bilingual/ESL programs could result in the reduction of staff and generate savings.

## **25. Management Information System**

Staff training and networking opportunities were proposed.

**26. Medical Services**

Investigating options to or renegotiating the medical services contract could result in savings of approximately \$16,000.

**27. Motor Vehicles**

There is need for better more centralized inventory and record keeping as it pertains to district owned and leased vehicles.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID,  
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTION IN  
ATLANTIC CITY BOARD OF EDUCATION COSTS**

A.	Administrative Costs	\$ 1,627,139
B.	Legal Fees	\$ 150,000+
C.	Consultant Services Contracts	\$ 21,000
D.	Employee Health Benefits	\$ 107,439
E.	Personnel - Sick Leave	\$ 44,232
F.	High School Instructional Staff	\$ 252,205
G.	Driver Education	\$ 13,500+
H.	Professional Trips	\$ 20,000
I.	Credit Cards/Cellular Phone Usage	\$ 10,000+
J.	Transportation Program	\$ 90,000
K.	Facilities	\$ 75,119,670 to \$ 84,212,190 over 20 years
L.	Custodial and Maintenance Services	\$ 1,071,935 to \$ 1,406,385
M.	Investment and Banking Management	\$ 493,951
N.	Sending/Receiving Tuition	\$ 124,562
O.	Food Service	\$ 353,408 to \$ 537,000
P.	Special Education	\$ 45,854+
Q.	Medical Services	\$ 16,000

**Total Potential for Savings                    \$ 79,560,895 to \$89,071,457+**

**Total Potential for Savings excluding item K. (Facilities -- building program)**

**\$ 4,441,225 to 4,959,267+**

**Total Amount to be Raised for Municipal Tax                    \$42,368,357**

**\* Savings as a % of Municipal Tax (excluding item K.)      11.7%**

**Total Budget (FY95)      \$62,790,455**

**\* Savings as a % of Budget (excluding item K.)      7.9%**

**Total State Aid (FY95)      \$10,951,507**

**\* Savings as a % of State Aid (excluding item K.)      45.3%**

**\*Based upon savings of \$4,959,267**

## **I. BEST PRACTICES**

A very important part of the Local Government Budget Review report is the Best Practices section. During the course of every review each review team identifies procedures, programs and practices which are noteworthy and deserving of recognition. Best practices are presented to encourage their replication in schools and communities throughout the state. By implementing these best practices, school districts and municipalities can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

The Atlantic City Schools do many things very well and cost effectively. Board members, educators and the community care about their students and many take pride in their accomplishments and their system. Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. Following are those best practices recognized by the team for their cost effectiveness and for possible replication by others.

### **BUSINESS AND EDUCATION PARTNERSHIP**

The Atlantic City Schools and Atlantic City businesses formed a partnership by formally adopting an “Adopt - A - School” charter on April 29, 1991. The district proudly displays the charter listing those businesses that formed partnerships with the various schools and the dignitaries that signed the original charter. Included in the signing were the former Governor and Commissioner of Education, Mayor, former Superintendent, County Superintendent, Executive Director and President of the Atlantic City Education Foundation, Casino Association President and then President of the Board of Education.

Each of the casinos, McDonalds of Atlantic City, IBM Corporation, FAA Technical Center and Atlantic City Electric were the primary businesses that adopted the various schools. Other businesses and Stockton College have joined in the partnership efforts. Each school has at least one business partner.

The business partners provide a number of services to their adopted schools. These include: sponsoring field trips and assembly programs; tutors and shadowing programs; awards and recognition for student achievement, honors, and attendance; needed materials and equipment; and more. Often they respond to requests from teachers and principals. Stockton College provides expertise, student opportunities, and staff training in various areas, particularly at the high school.

The Miss America Pageant sends volunteer contestants to two school sites to interact in learning activities with the students. Fifteen contestants participated during this year’s pageant week.

## **COMMUNITY RESOURCES**

In addition to businesses providing resources to the city's schools, various individuals and agencies also provide a variety of services to the schools and students. Some of those and the services provided during 1994-95 include:

Atlantic County Alcohol & Substance Abuse  
Speakers for our Health Classes

Department of Health  
Pregnancy & Teen Age Mothers

Atlantic City Medical Center  
Crisis Resolution  
Career Awareness  
Hospital Group

Resorts International  
Partnership in Education  
After School Tutorial Program  
Management Trainee

Family Crisis  
Family Counseling  
Truancy

Atlantic County Women Center

Department of Correction C.O.P.E.  
Southern Resource Center, Egg Harbor

Institute of Human Development  
Counselor of Substance Abuse

Johns Hopkins Center for Talented Youth C.T.Y.  
SAT for sixth grade students

DYFS  
Child Abuse/Neglect

Peer Mediation

Drug and Alcohol Free Monitoring Program

CART - Cape Assessment Resource Team  
Prosecutor's Office - Juvenile

## THE COMMUNITY/SCHOOL FACILITY CONCEPT

The Atlantic City School System maintains two Community/School facilities: one at the Dr. Martin Luther King Jr. School Complex and the other at the Uptown School Complex. These facilities are dedicated to serving the educational, social, recreational and medical needs in the neighborhoods in which they are located. They are the result of the joint efforts of the Atlantic City Board of Education, the City of Atlantic City and Atlantic Human Resources Inc. (which is funded by the county, the city and United Way). Each of these facilities has been in existence for almost 20 years and is headed by a community coordinator. They are financed solely by moneys from federal, state and local non-property tax sources.

The facilities offer a wide variety of recreation programs for children and adults from 4:00 P.M. to 10:00 P.M. on weekdays. Programs include competitive and recreational swimming, weight lifting and fitness training, aerobics, dancing, Senior Citizen programs and competitive sports for all ages. Participation in the various activities offered at these community facilities is extensive. For example, the monthly attendance report for April, 1995 reported 5,572 participants.

The facilities are also renting to small and large groups for private events; e.g., club meetings and wedding receptions. During FY'95 the renting of the facilities realized \$15,210 in revenue .

Each of the facilities has a Family Center which serves as a clinic for low income community members to receive medical care. Offerings in these centers include:

- intake, counseling, referral and follow-up for all programs sponsored by the Atlantic Human Resources and other social service agencies; e.g., family planing, mental health and substance abuse counseling; and
- ambulatory health care; e.g., infant-adolescent-adult physical exams and sick care, immunizations, dental services, and preventive health screening.

The volume of family center services (Sept. 1994 through Aug. 1995) is displayed in the chart below.

	<b>Dr. MLK School</b>	<b>Uptown Complex</b>	<b>Total</b>
Clients Served	2,218	1,348	3,566

The Family Centers also sponsor Project Head Start and the Foster Grandparent Program whereby low-income older adults work with special needs children in day care centers, public schools, youth shelters, etc.

Other offerings include community relation programs, weatherization and rental assistance, outreach services and the Retired Senior Volunteer Program (RSVP).

The Atlantic City School Board pays the city \$120,000 per year for the Latchkey (after school program) segment with the understanding that the city will provide needed materials, equipment and instructors.

### **FOSTER GRANDPARENTS PROGRAM**

Each elementary school participates and supports the Foster Grandparents Program. Senior citizens, often low income older adults, serve faithfully as volunteers in the various buildings. They apply and are approved to serve in a variety of ways such as classroom aides, teacher helpers, office workers, assistants in the lunchroom or wherever needed. Several seniors may be found in a particular school. They are identifiable by the red blazer jackets they wear when on duty. They develop mutual friendships with the children and receive much personal reward, worth, usefulness and satisfaction from their service. Everyone benefits from this worthwhile low cost program.

### **URBAN SCHOOLS SERVICE CORPS**

The Urban Schools Service Corps (USSC) is a pass-through, federally funded K-6 program. The Atlantic City School System matches 15% of the funding "in kind". Presently, the program is being offered at 12 selected urban sites located throughout the State, two of which are in Atlantic City; one at the Dr. Martin Luther King Jr. School Complex and the other at the Indiana Avenue School.

This program is designed to meet the needs of poorer students, families and neighborhoods. Assistance is offered in urban areas characterized by such factors as high crime rates, poor levels of health, youth violence, low literacy rates, significant drop-out rates, unemployment, teenage pregnancy and dysfunctional families. The goal of the program is to provide activities and services to promote academic success, linkages to needed social services and parental involvement in education

The programs in these schools operate daily (Monday through Friday) from 9:00 AM to 5:15 PM. Both programs include extensive in-classroom tutoring and monitoring throughout the school day assisting up to 300 students per week in each facility. Each of the schools also operates a Latchkey child service for approximately 50 students at each site.

One major difference between the program at MLK and that at Indiana Avenue is the fact that the Indiana Avenue School has a significant Hispanic student population. Efforts are being made to address this situation by hiring bilingual members for the program.

Staffing for each of the Atlantic City sites presently consists of one site manager, one secretary and five corps members. Both sites are being expanded to 10 full-time and five part-time corps members at no expense to the district.

Each of the schools has engaged in partnerships with several community agencies. MLK receives assistance from Trump Castle and McDonalds. Indiana Avenue works with Bally's and the FAA. Also, the city government assists both schools with various endeavors.



In addition to tutoring children and providing counseling, conflict resolution and student development services, USSC also offers student activities in such areas as cultural arts, culinary arts, arts and crafts and music.

The program promotes parental involvement and participation in various mini-workshops, community initiatives, parent literacy groups, computer training, job skill development, basic education and GED's.

### **ATLANTIC CITY EDUCATION ASSOCIATION SAFETY INITIATIVE**

The Atlantic City Education Association (ACEA), as part of the New Jersey Education Association's (NJEA) Pride in Our Schools campaign, secured a grant from NJEA to provide teachers serving lunch duty supervision on the playgrounds with walkie-talkies and training to ensure the safety of the children. The ACEA obtained the walkie-talkies at cost from a local vendor and with the vendor provided training to school employees on proper use and procedures with the equipment. The district's Director of Security assisted with technical aspects and support. This Securing Our Schools (SOS) program provides a needed measure of security at no cost to the district.

### **ALTERNATIVE EDUCATION PROGRAM**

The Atlantic City School System maintains an Alternative Education Program for students who choose not to or are not allowed to seek a high school diploma via the conventional route. This program has been run successfully since 1985. The program is located in the Atlantic City High School, functioning as a school within a school, by utilizing the resources and facilities of the traditional school, e.g., computer labs, art rooms, offices, gymnasium, etc.. There are 45 students in the program and enrollment has been consistent for the past three years.

Staffing consists of one supervisor, one counselor, eight teachers (each teaching one of the two two-hour shifts; 3:00 to 5:00 PM and 5:00 to 7:00 PM) and one secretary. The most common reasons for students being in the Alternative Ed. Program include the following:

- discipline problems in the regular school program,
- chronic tardiness or absenteeism in the traditional day school format,
- pregnancy,
- referrals by outside agencies having interest in the students' welfare, or assignments by legal authorities (e.g., NJ Department of Juvenile Services and Family Court), and
- School Board referrals due to individual circumstances in relation to personal development, family life, peer association, etc.

The budget for the Alternative Education Program for the year ending June, 1994 totaled \$196,500 representing expenditures for personnel, fringes and materials/teaching supplies. This provides an alternate education at an approximate cost of \$4,367 per student.

In addition to the Alternate Education Program, students from Atlantic City have several other options which include the following:

- GED Program
- GED Incentive Program
- Atlantic County Alternative School
- New Jersey National Guard Challenge Youth Program
- Atlantic City Night School
- Job Training Partnership Act (JTPA)
- Atlantic County Vocational Adult High School
- Project Ahead
- Job Corps
- Back on Track, and
- Atlantic City Youth Build..

## **ADULT EDUCATION PROGRAM**

The Atlantic City School System sponsors an Adult Education Program located in the Atlantic City High School. The Adult High School provides a free, for residents, secondary education which includes instruction in the core subjects and a number of specific skill development courses. Each student is given an individually prescribed course of study to fulfill state and local requirements for graduation. Rather than seek a high school diploma, students may opt to use this program to prepare for and seek General Equivalency Diplomas (GED's), to enroll in the English as a Second Language (ESL) Program, or to take part in "spare time" courses being offered.

Enrollment in the Adult Education Program for the past three school years is displayed in the chart below.

	<b><u>1993/94</u></b>	<b><u>1994/95</u></b>	<b><u>1995/96</u></b>
GED Program	25 students	20 students	25 students
ESL Program	125 students	50 students	80 students
HS Diploma	80 students	55 students	80 students
<b>TOTAL</b>	<b>230 students</b>	<b>125 students</b>	<b>185 students</b>

In the 1993/94 school year and all the previous years the Adult Education Program was offered in the city at the old Atlantic City High School. In 1994 the program was moved to the new high school. This posed a problem in that there was no public transportation from downtown Atlantic City out to the high school; hence the significant drop in enrollment for 1994/95. It is suggested that the district arrange Jitney or other public transportation routes to ease this situation.

The present year has seen a significant increase in enrollment. This is due, at least in part, to the fact that in order to receive financial aid or employment opportunities, people are now required to be enrolled in educational programs.

There are tuition requirements for the ESL Program, \$30 per enrollee, for out-of-district enrollees and for “cultural or spare time course” enrollees, \$10 for AC residents and \$25 for out-of-district students.

Staffing for the Adult Education Program consists of one supervisor, one counselor, one secretary and 12 teachers.

The cost of the program for the 1995/96 school year is \$122,000. Revenue for the 1994/95 school year totaled \$9,059.99.

Efforts are presently being made to establish NJ Transit bus routes from downtown Atlantic City to the high school. This would address the problem of potential Adult Education students not enrolling due to lack of transportation.

## **ENERGY SAVINGS MEASURES**

As a result of energy savings initiatives planned in the construction of the new Atlantic City High School, the district received a rebate of \$97,550.00 in May, 1995 from the Atlantic Electric Company.

In addition, the district had energy audits conducted at five of its remaining ten schools. Further, the district is under contract with Honeywell Energy Management Systems that projects a savings in building operation costs of \$377,059 over a five year period starting in 1993.

## **TRANSPORTATION MEASURES**

The transportation department has taken two steps in their operations that are efficient and noteworthy. The first is the installation of video surveillance on approximately 15 of its buses transporting students to the high school. This has allowed the district to visually document and demonstrate misbehavior to parents of those students who acted out while on the school bus. This has resulted in improved safety, security and behavior on the buses.

The second efficient measure is that of using software to design the bus routing. This has resulted in efficient routing of the school buses throughout the district and a cost savings to the schools.

## **II. FINDINGS AND RECOMMENDATIONS**

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operation and financial savings to the district and its taxpayers.

In its study, the review team came to the clear conclusion that there is need for strong review and oversight of and by the leadership of the Atlantic City Schools. This is well documented in the Level II External Team Monitoring Report completed by the New Jersey Department of Education in May, 1995. The review team concurs completely with its directive GM 1.4 that the district secure an independent firm to conduct a management performance audit on a district-wide basis. Concurrence is also given to directive GM 3.1 that an academic audit be done to assess the curricular program(s) and make recommendations that will assure the success of all students. It is strongly recommended that these audits be conducted by consultant firms that have the integrity to do a completely independent study that is neither client nor fee driven.

The need for oversight by the Board of Education and administrative leadership is further documented by matters under investigation for possible criminality by the Federal Bureau of Investigation (FBI) and the Atlantic County Prosecutor. Areas of questionable management such as personnel hiring and contracting procedures, outside contracting, inventory control and professional expenditures are cited in this report.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude and to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, the tax rate(s) and sending/receiving tuition rates. Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

Many of the recommendations made are based upon comparative analyses using Department of Education data in comparison with districts of similar size and demographics. School districts used for comparison with Atlantic City were the Perth Amboy and Plainfield schools. The following chart illustrates much of the data used.

**ATLANTIC CITY BOARD OF EDUCATION  
STATISTICAL COMPARISON  
BASED ON AUDIT REPORT AS OF JUNE 30, 1995**

<b>Description</b>	<b>Atlantic City</b>	<b>Perth Amboy</b>	<b>Plainfield</b>
<b>District Type</b>	II	II	II
<b>District Factor Group</b>	A	A	B
<b>Number of Employees</b>	920	899	896
<b>Number of Schools</b>			
Elementary	8	7	11
Middle	2	2	2
High	1	1	1
AIM-Alternative HS	0	0	1
<b>Total</b>	<b>11</b>	<b>10</b>	<b>15</b>
<b>Cost Per Pupil 1994</b>			
<b>Administrative Cost Per Pupil</b>	<b>\$1,510.23</b>	<b>\$971.31</b>	<b>\$955.97</b>
<b>Student Enrollment</b>	7,205	7,267	7,028
<b>Revenues *</b>			
Tax Levy	42,368,357	18,159,510	17,975,018
State Aid	10,951,507	41,369,550	41,578,749
Federal Aid	2,359,224	2,709,053	2,480,344
Other	7,111,367	533,919	1,061,671
<b>Total Revenue</b>	<b>62,790,455</b>	<b>62,772,032</b>	<b>63,095,782</b>
<b>Total Expenditures *</b>	<b>69,152,687</b>	<b>64,880,603</b>	<b>66,124,661</b>
<i>*General, Spl. Rev. &amp; Debt Serv. Funds Only</i>			
<b>Selected Items of Expenditures:</b>		<b>% of Total Exp.</b>	<b>% of Total Exp.</b>
Salaries of Teachers	15,783,996	22.8%	25.3%
Special Education - Instruction	2,048,671	3.0%	5.0%
General Administration	2,183,181	3.2%	1.5%
School Administration	3,619,734	5.2%	4.7%
Oper & Maint. of Plant Services	8,230,702	11.9%	11.8%
Student Transportation Services	1,812,977	2.6%	4.1%
Business & Other Support Services	8,367,623	12.1%	12.1%
		*8,797,514	13.6%

**\* Does not include lease purchase interest.**

## **HIRING PRACTICES**

Hiring practices in many cases do not follow either written Board of Education policies or universally accepted practices. Many positions are not posted or advertised. Procedures of application, interview, screening, reference and background checks are not done.

Qualifications appear to be those of whom candidates know or are related to. It appears that positions are often created to provide jobs for people. An example of a recent new hire is the position of Computer Resource Specialist serving the Superintendent. Positions appear to be created as new, added programs or activities occur. Rather than assign the task to existing staff, a new job is created.

Those hired are often not qualified, experienced, and at times not certified as required. Their background and credentials do not match those of the job descriptions' requirements. They appear instead to be well connected.

Most city board members and many key administrators with hiring recommendation or selection authority have family members employed throughout the district. Due to these relationships it would appear that under the guidelines of the state ethics code, as it pertains to negotiations and voting on labor agreements and contracts, there could be insufficient Board members available to make a quorum to vote. Board members are not permitted, by ethics rules, to participate in the negotiations process nor to vote upon contract ratifications which would impact their family. This condition also includes the superintendent.

Examples of positions filled by these practices include the directors and assistants in transportation, security, attendance, employee benefits, neighborhood facilities and others. The Chapter 1 Teacher(s) serving in the capacity of program coordinators do not fit the title of teacher nor are they qualified as "administrators". Directors of purchasing and information systems are not certificated as administrators but do, however, appear to be qualified for their work responsibilities.

The Board circumvented certification regulations and directives in the appointment of the former Athletic Director, then changed the title to Director of Extracurricular Activities to apparently continue the employee before he eventually resigned to take a position elsewhere.

## **ADMINISTRATIVE COSTS**

It is the near universal opinion of all those queried that the administrative staff of the Atlantic City Schools is "top heavy". This opinion is statistically documented and it is the recommendation of the review team that the district take immediate action to address this problem. The district needs to right size its administrative staff through major restructuring of its total administrative operation. Our recommendation supports the Department of Education Monitoring Directive GM 1.4 to conduct a thorough and independent management audit.

On September 28, 1995, the district received notification that it was being penalized under the provisions of the School Efficiency Program Act in the amount of \$1,092,896. This represents the second highest (2nd only to Newark) penalty in the state of some 73 districts penalized. According to the State's calculations, Atlantic City's administrative costs are \$1510 per pupil compared to a \$1030 median for similar districts statewide.

The Board of Education took action to appeal the administrative penalty at its October 10, 1995 meeting. They did so on the basis of "accounting errors" and upon the concept that a portion of their curriculum supervisory staff were "staff trainers", not teaching staff evaluators. The Department of Education allowed that \$300,000 in professional development contracts were improperly recorded as administrative salaries; that \$775,000 was related to teachers aides and security guards and erroneously recorded under school administration; and \$126,000 (10% of the supervisor's costs) was considered as staff trainers.

The net result of the Department of Education adjustments dropped the Atlantic City administrative costs from \$1,500 per pupil to \$1,321 or 128 percent of the state median. This represents just 1 percent under the very liberal penalty threshold of 129 percent of the median, at which the penalty is assessed. The law will reduce the threshold 1 percentage point per year until 125 percent, an amount which is under Atlantic City's per pupil cost and which will result in future penalties unless reductions are made.

The district was notified by letter from the Commissioner of Education on December 20, 1995 that their appeal was successful and that the penalty would not be levied. No deduction will be made in the 1996-97 state aid notification.

During our analysis it appeared that the primary function of the curriculum supervisors was that of evaluating teachers. The Boards actions taken avoided the penalty but do not change the fact that the district is top heavy with administrators and related staff. The transfer of funds should reduce the tuition costs of the sending districts, thus decreasing revenues and increasing the tax liability of the Atlantic City residents.

In addition to the number of administrators being excessive, it appears that the salaries of the top administrators are also excessive.. The Atlantic City Press published an article on November 2, 1995 comparing the salaries of the superintendents, assistant superintendents and the highest paid principal of Atlantic City, Camden, Vineland and Trenton.

Their numbers indicate that Atlantic City with 7,100 students pays \$645,242 in salaries to these administrators while Camden with 19,415 students pays \$503,763, Vineland with 8,856 students pays \$456,277 and Trenton with 12,473 students pays just \$378,889.

Using the districts of Perth Amboy and Plainfield, both very similar to Atlantic City for comparison, the review team concluded that the Atlantic City administrative costs are excessive. The following tables and graph illustrate the comparative costs.

## GENERAL ADMINISTRATION EXPENSES

A comparative review between Atlantic City, Perth Amboy, and Plainfield of the function 230 - Support Services - General Administration for fiscal year 1994-95 was conducted. This function includes expenses associated with board of education, executive administration and school elections. The review revealed following costs for the fiscal year 1994-95 (Based on Audit Report as of 6-30-95):

DESCRIPTION	Atlantic City	Perth Amboy	Plainfield
Salaries	\$1,024,048	\$395,777	\$331,696
Legal Services	347,442	23,349	157,038
Other Purchased Prof. Services	55,000	40,129	21,241
Purchased Technical Services	58,068	0	2,549
Communications/Telephone	172,905	183,057	297,498
Other Purchased Services	419,739	82,132	46,611
Supplies & Materials	28,979	9,728	45,308
Miscellaneous Expenses	77,000	27,601	42,869
Judgment Against the School District	0	0	19,059
<b>TOTAL</b>	<b>\$2,183,181</b>	<b>\$761,773</b>	<b>\$963,869</b>

A comparison of budgeted general administration expenditures (Function 230) for the fiscal year 1995-96 between Atlantic City, Perth Amboy City, and Plainfield school districts revealed the following:

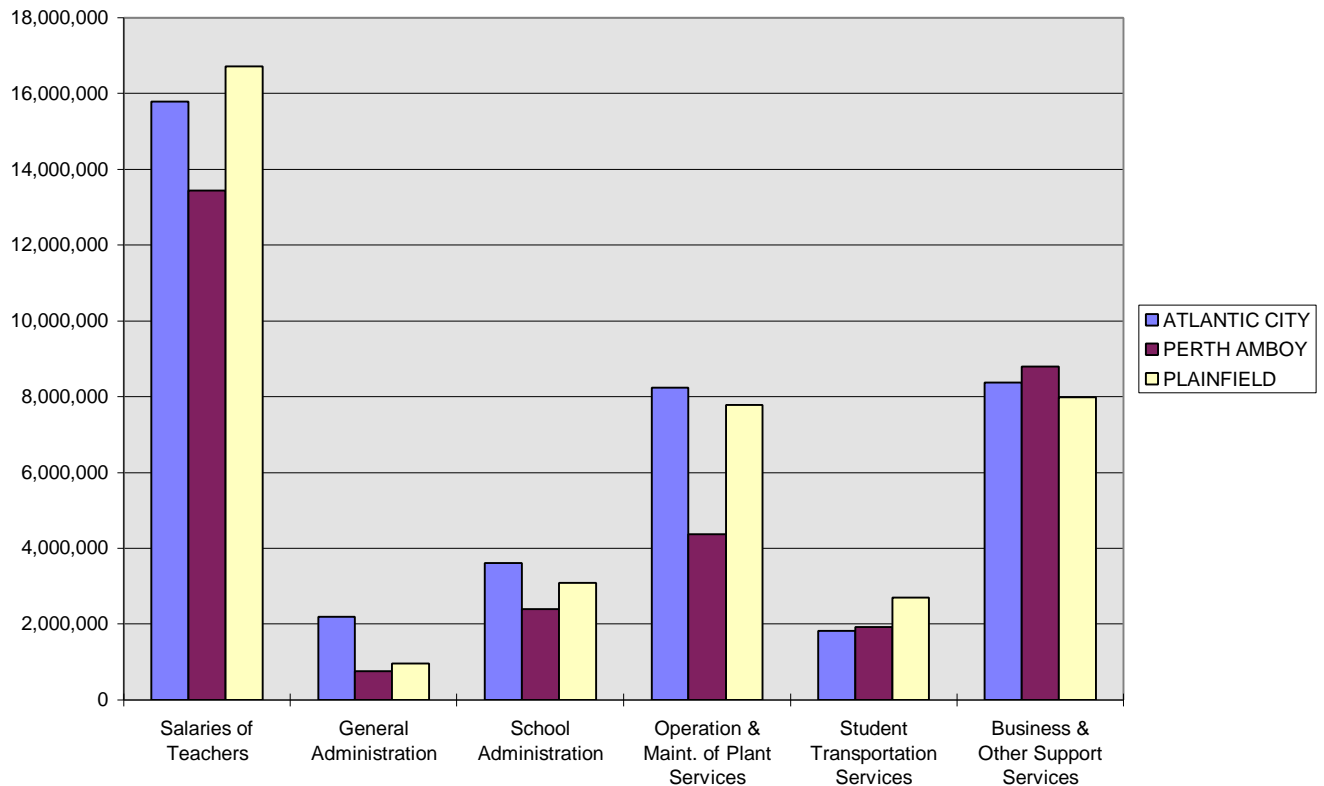
Category	Atlantic City	Perth Amboy	Plainfield
Student Enrollment (1994-95)	7,205	7,267	7,028
Salaries	\$1,085,000	\$394,081	\$347,937
Legal Services	275,000	45,000	101,000
Other Purchased Professional Service	65,000	75,000	33,500
Purchased Technical Services	35,000	5,000	0
Communications/Telephone	250,000	185,000	297,105
Other Purchased Services	745,000	110,000	46,250
Supplies and Materials	30,000	15,000	30,353
Judgments Against the School District	0	0	32,500
Miscellaneous Expenditures	<u>15,000</u>	<u>31,000</u>	<u>39,905</u>
<b>TOTAL</b>	<b>\$2,500,000</b>	<b>\$860,081</b>	<b>\$928,550</b>
<b>Average Budgeted Cost Per Student Enrollment</b>	<b>\$346.98</b>	<b>\$118.35</b>	<b>\$132.12</b>



Comparative expenditures for Atlantic City, Perth Amboy, and Plainfield based on audit report as of June 30, 1995 are as follows:

	<u>ATLANTIC CITY</u>	<u>PERTH AMBOY</u>	<u>PLAINFIELD</u>
Salaries of Teachers	\$15,783,996	\$13,434,916	\$16,706,839
General Administration	2,183,181	761,773	963,869
School Administration	3,619,734	2,403,461	3,084,914
Operation & Maint. of Plant Services	8,230,702	4,373,115	7,792,640
Student Transportation Services	1,812,977	1,927,106	2,693,168
Business & Other Support Services	8,367,623	8,797,514	7,988,734

#### COMPARATIVE EXPENDITURES



An analyses of this data reflects that, using the function 230 figures from the 1994-95 audit report, the administrative costs for Atlantic City were \$2,183,181 as compared with \$761,773 for Perth Amboy and \$944,809 for Plainfield. The Atlantic City costs are nearly three times greater than Perth Amboy's and more than double those of Plainfield. It should be noted neither Perth Amboy nor Plainfield received the School Efficiency Program Act administrative penalty.

A further analysis of the 1995-96 budget figures escalates the above differences. A per pupil costs analysis of these budget figures indicates that Atlantic City budgeted \$346.98 per student compared with \$118.35 for Perth Amboy and \$132.12 for Plainfield. These costs are, again, nearly three times those of Atlantic City for districts of almost identical size. Note that the costs for Plainfield actually went down from the previous year's audit.

In a count of those persons in central administration with titles of superintendent and assistants, supervisors, directors, coordinators, and managers, Atlantic City had a total full-time equivalent (FTE) count of 43 positions as compared with just 22 FTE's in Perth Amboy.

The Atlantic City Board of Education should make administrative cuts to right size the administrative staff. The Local Government Budget Review Team suggests the following reductions or changes:

#### Superintendent's Office

Computer Resource Specialist **Savings** **\$23,664**

This function can be done by the secretarial and MIS staff.

One Secretary **Savings** **\$20,464**

Coordinator of Community Education This position was broken out and created by Board approval on September 12, 1995 upon the recommendation of the Superintendent as part of a Community Education Program Restructuring. It was further recommended that Community Liaison positions be added as new neighborhood centers are created. It is recommended that this position be that of a Liaison reducing the cost of the position from \$74,745 to \$30,000 range of \$25,000 to \$35,000 per.

**Savings** **\$44,745**

#### Assistant Superintendent's Office

Delete the newly created Assistant Superintendent position. Comparable districts have just one (Perth Amboy) or two (Plainfield) assistants plus a business administrator.

**Savings** **\$106,700**

Employee Benefits Director This is a secretarial level position adequately handled by the current secretary assigned - transfer this function to the business office.

**Savings** **\$42,900**

Planning, Research & Development Director There was indication of need for ongoing curricular program effectiveness evaluation in the Level II Monitoring Report. This position could and does serve this recommended need. Although a new position, it is recommended that it continue but be reassigned to the Assistant Superintendent for Curriculum and Instruction.

Secretaries There are two. Reassign one to follow the reassignment of staff in this recommendation and reduce one position.

**Savings** **\$20,464**

Do not fill other vacant and budgeted positions in this division, i.e., Staff Development Director, Specialist and Public Information Director along with related support staff (4 positions total)

**Est. Savings** **\$150,000**

#### Business Administrator's Office

Transportation - Assistant Coordinator The Coordinator and Assistant's positions are new as a result of opening the new ACHS in November, 1994. Prior to this, high school students were not transported as they used public transportation. The job descriptions of both positions are essentially the same. The responsibilities do not warrant two people.

**Savings        \$35,280**

Educational Facilities Specialist This position is at best a consultant's job. There is/will be no need for this position once education specifications for the proposed elementary building program are completed. Further, this is generally the function of the architect. Future need will be covered by the appointed construction management firm. Maximum life of this position would be to the end of the current school year.

**Savings        \$70,875**

Secretaries With the reduction of the above business office personnel and review of other secretarial positions, it is recommended that a minimum of one or the possibility of two secretarial positions be reduced. This/these could come from pooling the work of the transportation, facilities, computerized business services, computerized purchasing and/or the MIS departments.

**Savings        \$22,000**

Food Service This area is addressed as a separate topic elsewhere.

#### Assistant Superintendent for Curriculum & Instruction office

K-12 Curriculum Supervisors - Reduce from nine to six supervisors. Most of these positions are designated as generalists with assigned subject areas to supervise. In most cases, the supervisor is either not certified in the subject area designated or not experienced through the twelfth grade. The primary job responsibility of a supervisor is to observe and evaluate between 25 and 40 assigned teachers. This should be the responsibility of the building principals. The assignment of the remaining six would be determined by the district. However, it is suggested they could be assigned as follows:

K-12 Physical Education and Athletic Director

K-12 Foreign Language/Bilingual Supervisor

Secondary Curriculum Supervisor with the responsibility of supervising high school subject department heads.

Middle School Supervisor with similar responsibilities as secondary supervisor without department heads - high school could advise/assist - and with responsibility of coordination of the transition of students moving from elementary to middle and middle to high school - along with the guidance personnel.

Elementary Curriculum Supervisor

District Testing Supervisor

Most of these are high salaried positions ranging from \$75,415 to \$93,645. Reducing the lowest three salaried positions would represent considerable savings.

**Savings            \$249,705**

Chapter 1 Teacher Federal Programs - two positions. Although listed as teachers, these persons are, in reality, administrative functioning coordinators. They do not teach. Both positions should be eliminated. In their stead, the vacant position of Grant Writer could be filled as Grants Writer/Coordinator. The combined salaries of the two teachers is \$130,692. The Grants Writer/Coordinator position could be filled in the range of \$50,000 to \$60,000.

**Savings            \$70,000**

Director of Co-Curricular & Extra-Curricular Programs This position was recently created to maintain a job for an individual and is now currently vacant and should not be filled.

**Savings            \$57,225**

Community/Parent Liaison There are two positions budgeted. One is vacant and should not be filled.

**Savings            \$25,000**

One Secretary

**Savings            \$24,000**

#### Assistant Superintendent for Special Services office

District Supervisors Combine the positions of Supervisor of Special Education and Supervisor of Special Services into one.

**Savings            \$80,355**

Guidance Reduce the number of guidance counselors at the high school from seven to six providing two for each of the three houses. Counselors for the other schools in the district should be maintained. The elimination of one counselor position would result in an average caseload of 452 students per counselor for the entire district as compared with an average caseload of 482 students in Perth Amboy. Perth Amboy with basically the same number of students has a total of 15 guidance counselors while Atlantic City has 17. With two rather than three counselors for Gamma House the caseload would equal 266 students.

**Savings            \$46,963**

#### High School Administration

Executive Vice-Principal The Atlantic City High School currently has a principal, an executive vice-principal and three assistant principals who serve as a “house principal” for three sub-divisions of the high school. A high school with an enrollment of just under 2000 students does not require five principals. The principal is the executive administrator. There is not a need for an executive assistant. The position should be eliminated. **Savings            \$73,305**

High School Secretaries Fourteen secretaries, excluding the guidance department, is excessive for a school of 2000 students. This is particularly so when there is the availability of high school business education trained students who could receive

valuable practical experience with clerical responsibilities in the office(s). It is recommended that the ACHS secretarial staff be reduced by four positions.

**Savings            \$88,000**

<b>TOTAL RECOMMENDED ADMINISTRATIVE SAVINGS</b>	<b>\$1,251,645</b>
<b>plus benefits (30%)</b>	<b>\$ 375,494</b>
<b>GRAND TOTAL</b>	<b>\$1,627,139</b>

## **LEGAL FEES**

The Atlantic City Board of Education has paid an exorbitant amount of money in legal fees over the past several years. The Atlantic City Press reported in August, 1995 that the board attorney was paid \$697,451 between the dates of July 1, 1993 and June 30, 1995.

Through a review of the vendor analyses records for the '94-'95 school year, the review team found that a total of \$544,414 was paid in legal fees. Of this total amount, \$333,252 was paid to the school solicitor, while \$201,559 was paid to the Board's labor attorney. A portion of the total fees (\$194,052) was paid from capital funds in relation to several legal issues with the construction of the new high school. Labor fees were paid primarily for contract negotiations and personnel grievances. By comparison, Camden, with nearly three times the number of students as Atlantic City, paid \$180,000 in legal fees. Perth Amboy incurred legal fees of \$43,007. Other area districts spent considerably less. Ocean City spent \$35,000. Egg Harbor Township spent \$44,000, and Greater Egg Harbor Regional District spent \$43,916.

An analysis of the contract awarded to the school attorney in May, 1995 is both revealing and disturbing to the review team. The contract between the solicitor and the Atlantic City Board of Education is identified as an "Employee Contract". As such, the contract provides medical and pension benefits "paid for or to other employees of the Atlantic City Board of Education". The term of this "employee contract" is for five (5) years from May 23, 1995 to May 22, 2000. In accordance with Title 18A, this provision is not legal. The only individual employee (non-bargaining unit member) who is eligible to receive a multi-year contract (three to five years) is the superintendent of schools.

Other terms and conditions of this contract are of equal concern. The "fee" (retainer) for basic services outlined calls for payment of \$75,000 per year totaling \$375,000 for the five years of the contract. This represents a 133% increase over the previous retainer of \$30,000 per year with no additional services specified. In addition, the hourly rate for services not covered by the retainer fee for the attorney(s) increased from \$95.00 per hour to \$125.00 per hour (an increase of nearly 32%). The determination of when the hourly rate is assessed is made solely by the attorney when he deems the service provided is not "arising in the ordinary course of the business of the Board".

It is the opinion of the Local Government Review Team that this contract should be immediately revised.

In the area of grievances, more care should be taken by all supervisory personnel to avoid contract violations in dealing with subordinate personnel. Resulting grievances should be settled before going to attorney or litigation levels. This would save considerable legal costs.

The review team recommends that the Board consider hiring its own full time staff attorney. Other districts are investigating and considering this option. Recently the districts of Wall Township and Manasquan School Districts have combined (60/40) to employ their own attorney at a salary of \$40,000. Other comparative numbers for full time staff attorneys are those employed by the various state associations. Salary ranges based upon level, experience and responsibility, i.e., assistant, associate, senior, director, etc. NJSBA from \$38,257 to \$99,720; and NJASA from \$37,625 to \$75,200. We believe that a staff attorney, as a full time employee, could handle all legal matters save consulting for specialized issues. An attorney could be employed at a salary of \$75,000 to \$80,000 plus benefits for the Atlantic City Schools.

**Est. Savings \$150,000+**

## **CONSULTANT SERVICES CONTRACTS**

As we questioned the multi-year contract awarded to the school attorney, so to do we challenge the contract awarded to the President of City Council for three years for consultant services. The contract provides payment of \$20,000 for 1995-'96, \$21,000 for 1996-'97, and \$22,000 for 1996-'97 for various activities without stipulation of time or hours nor of expected outcomes. We believe that awarding contracts to city officials presents a potential conflict of interest and must be avoided. We recommend the Board Solicitor review this contract in accordance with NJSA 18A:18-2 and 5 for possible violations of law. This contract should be settled and terminated.

**Savings \$21,000**

The Assistant Superintendent for Human Resources, Staff Development and School Restructuring was originally employed as a consultant to assist the Superintendent in the development of a new paradigm of instruction for the high school. She was employed for a year's study at a fee of \$92,000 commencing January, 1994. She "completed" her consultant work by the end of June, 1994 and was awarded an employment contract as Assistant to the Superintendent for a salary of \$93,000 for the 1994-'95 school year. In effect she was paid \$185,000 over an 18 month period which calculates to an annual average pay of \$123,333. In addition, she was provided with a contract provision to reimburse for moving expenses from Houston for up to \$7500 - she was paid \$7,454.83. It is rare that anyone other than a superintendent of schools to be provided with moving expenses and rarely in an amount as high as \$7454. Upon receiving New Jersey School Administrator certification, she was awarded a contract as Assistant Superintendent for the 1995-'96 school year for a salary of \$106,700. This represents a raise of \$13,700 or 14.7%.

In addition to all of these staff resources, many outside educational consultants are hired at considerable expense to provide staff in-service training. We would suggest that the cadre

of Curriculum and Instruction (C&I) supervisors and others with curriculum expertise and talent from within the district be utilized instead.

Another problem area of consultant service contracting is the Board of Education's contract with the construction management company. That company oversaw the new high school construction and is under investigation by the Atlantic County Prosecutors Office. The contract approved by the Board and its solicitor allowed for reimbursement of company personnel expenses. These reimbursables amounted to "hundreds of thousands of dollars". The records were not available for review due to the investigation.

## **CONTRACT NEGOTIATIONS**

We recognize that contract negotiations are a give and take process with results often unsatisfactory to both parties. The review team has recommendations to the Board for consideration in future contracts. The Board needs to pursue aggressively more reasonable settlements that are more favorable to the taxpayer, especially since personnel costs make up the major portion of the budget.

The Board's most recent settlements have provided salaries over a three year period with increases of 5%, 5%, 4.9% netting over 15% (15.7625) over the term of the contract. This has been provided when settlements across the state and in the region have been in the low 4% area. The same percentages were given to the administrators association when going rates for such positions have been in the low to mid 3% area. Private industry and other public entities have gotten even less. These higher percent increases have escalated salaries that are already high. This is particularly so for the principals and supervisors.

Inappropriate longevity increases have also remained in the contracts. Longevity has a two part history. Salary guides in and of themselves are longevity increases. Annual raises are given merely for time of service, not for merit or any other purposes. Originally "longevity" steps were added to the end of a salary guide rewarding teachers for "long and faithful service" particularly back when there were teacher shortages. These add on steps were given at seniority levels of 20, 25 and/or 30 years of service.

The second series of longevity steps were added when, over a period of time and the renegotiation of subsequent contracts, the salary guides were expanded to have as many steps as 20 to 25. Then in a process to condense guides, longevity steps (often named "max", "super-max", etc. steps) were added. Mid guide longevity steps at 10, 12, 15, or 18 years coupled with moving through the guide incrementally was never intended in the longevity concept. The elimination of these mid-guide longevity increases and other premature longevity steps would save the district and taxpayers tens of thousands of dollars. Longevity steps should not occur, if ever, until an employee has reached the top step on the salary guide. Under the current system many employees moving through the guide receive annual increases, step increase and a longevity increase.

Another area of negotiations savings is in the area of health benefits cost containment or employee givebacks. This is very common in the private sector and other public contracts.

The administrators unit fully expected to be required to contribute to some family coverage costs in the last round of negotiations but were not even asked.

Following is an illustration of savings that can be realized with just a 5% give back on family health benefits coverage:

### **EMPLOYEE HEALTH BENEFITS**

The board assumes the full cost of health insurance premium payments for board employees and, where appropriate, their dependents for health benefits, prescription plan, and eyeglass plan. Based on review of June 1995 records, health benefit costs are as follows:

Type of Coverage	Monthly Premium
Single	\$231.83
Family	\$526.70

Total employees covered are 874 as follows:

Number of Employees	Coverage	Monthly Premium	Monthly Cost	Annual Cost
267 (30%)	Single	\$231.83	\$61,899	\$742,788
607 (70%)	Family	\$526.70	\$319,707	<u>\$3,836,484</u>
			<b>TOTAL</b>	<b>\$4,579,272</b>

The State of new Jersey has moved to create a managed care program (HMO) as the base plan for health benefits. We believe the Board should utilize current State authority to require employees to contribute to family dependent coverage.

Recommendation:

The board should explore opportunities to renegotiate the shared cost of health insurance with Atlantic City Education Association (and other employee groups) and encourage the employees with family coverage to agree to pay 5% co-pay for only the family portion of the premium, the board would save \$107,439.00 as follows:

Monthly Cost of Family Coverage	\$526.70	
Monthly Cost of Single Coverage	<u>(\$231.83)</u>	
The difference between single and family coverage	\$294.87	
5% Co-pay of \$294.87 =	\$14.75	
\$14.75 x 607 employees =	\$8,953.25	Monthly Savings
\$8,953.25 x 12 months	\$107,439.00	Annual Savings



Another option for consideration that is exercised by other districts is the limit of individual coverage only to employees until they achieve tenure.

**Total Recommended Employee Health Benefits Savings** **\$107,439**

The concept of payment for unused sick days at retirement also needs to be addressed. The sole purpose of sick leave is to provide “insurance” to employees so that there is not a loss of pay if it is necessary to be absent from work due to illness. The annual accumulation provides a bank of days in the unfortunate event that a long term illness may occur. Realizing in today’s world people seem to need an incentive to report to work, payment at retirement for unused days is a common concept. However, reward for every day not used from the sick leave bank is an unfair burden upon the taxpayer. It is recommended that a cap of a maximum of \$15,000 be set for all separation pay at retirement. This too will result in savings of tens of thousands of dollars to the district.

A recent provision was given to the Superintendent and the Assistant Superintendents whereby they may elect to forego family health or full health benefit coverage in lieu of receiving equal cash payment. Two of them are not eligible for family coverage. To be equal, they received this differential in cash. An employee not eligible for family coverage should not receive family coverage benefits nor the equivalent value! Payment for which they are not entitled should be returned to the Board.

#### **PERSONNEL - SICK LEAVE USED BY TEACHERS**

In accordance with the agreement between the Board and Atlantic City Education Association, teachers receive the following time-off per year:

10 days sick leave  
3 days personal leave  
5 days for death in family

Findings:

A review of sick days used by teachers during school year 1994-95 revealed following:

<b>No. of Teachers</b>	<b>Days Used</b>	<b>Mondays</b>	<b>Fridays</b>
445	2,672	534	592
	Average of 6 sick days per teacher	20% of Total Sick Days	22% of Total Sick Days

At an average cost of \$278 per day (Average teacher salary of \$50,000/180 days) the wages paid to employees out on sick leave for school year 1994-95 totaled approx. \$742,816. In addition, due to the above stated teacher absences, the district paid approx. \$265,500 for substitute teachers during school year 1994-95.

## Recommendation:

If the board could develop a Staff Attendance Improvement Plan to reduce teacher's sick leave time by just an average of one day (16.7%), the savings realized in substitute pay would equal \$44,232 ( $\$265,500 \times .167$ ). The teacher absentee rate would drop from 3.33% to 2.77%

**Savings        \$44,232**

## HIGH SCHOOL INSTRUCTIONAL STAFF

During the 1993-'94 school year the high school instructional staff consisted of 123 teachers. To implement the new paradigm of instruction initiated at the start of the 1993-'94 school year by the superintendent, 14 teachers were added to the high school staff. At the recommendation of the Level II Monitoring report and other pressures, the paradigm was abandoned for the start of the current school year. The instructional staff was not reduced from 137 teachers to pre-paradigm numbers. Some six to eight teachers were transferred to other schools still leaving a "surplus" of approximately six teachers. Since the new instructional organization program is not in operation, it is recommended that the high school teaching staff count be reduced to a total of 123 members, i.e., cut six positions. Savings ( $6 \times \$32,334 + 30\%$  for benefits)

**Savings        \$252,205**

## DRIVER EDUCATION

The Atlantic City High School provides a driver education program for approximately 750 students. The program, essentially for sophomores, provides classroom instruction, driver simulation film instruction and, for eligible students, behind-the-wheel instruction. Driver education is offered for one quarter of the year with three quarters of physical education. Four to five teachers share approximately 18 sections (periods) of driver education throughout the school year. Each of these teachers provides 30 periods of classroom instruction and 15 hours of simulation per pupil.

To be eligible for behind-the-wheel training a student must meet the following criteria:

1. Must be 16 years of age or older;
2. Have passed the written state exam given in class with a grade of 80 or better;
3. Provide a birth certificate, passport, or alien registration card and a Social Security Number;
4. Pay \$5.00 in cash for driver permits. Permits for the students are obtained by the school from the Division of Motor Vehicles.

Students sign-up with a certified driver education teacher who instructs them for a minimum of three hours to a maximum of six hours behind-the-wheel. These teachers receive a stipend (extra pay) for their services. There are usually two teachers performing behind-the-wheel instruction monthly in school owned vans. This was budgeted at \$13,500 for the '95-'96 school year.

Other expected costs for the behind-the-wheel portion of the driver education program such as for vehicles, gasoline, maintenance, insurance, clerical, etc., are provided “in kind” by the Board according to the School Business Administrator. In other words, these real costs to the program are not budgeted separately nor accounted for, but do exist.

A review of NJSA 18A:35-7 and NJAC 6:8-7.1 reveals that driver education is not a required course for high school graduation. Credit is given for driver education for classroom and simulation instruction. Behind-the-wheel, although beneficial, is considered to be a duplication of simulation instruction. The new ACHS has a state-of-the-art simulation lab. It is recommended that the behind-the-wheel portion of the driver education program be dropped.

**Savings        \$13,500+**

## **PROFESSIONAL TRIPS FOR STAFF DEVELOPMENT**

It is noted from attendance at board meetings and review of available records that there are a substantial number of trips taken by board members and the administrative staff at all levels, at board expense, for staff development. Accurate accounting records were not available since these were among the records subpoenaed by the County Prosecutor. Records for the Superintendent and board members were not available at all. However, a review of the listing of other administrators’ trips over a 15 month period (July, 1994 - October, 1995) revealed that a total of 322 days were taken for professional travel with 99 of these to out of state destinations. Thirty-six days were taken by one administrator and 24 by another. Two Assistant Superintendents each took 15 days for out of state travel. One source reported (although not verified) that an elementary principal was only in her building a total of 86 days while school was in session. Another reported that “the Superintendent is a prolific traveler.” Two board members, the Superintendent and four principals all attended the same conference in Dallas, TX.

As the records were not available to calculate the dollar value for these seminars, the recommendation of the review team would be to justify clearly why each trip is taken and to curtail the apparent excessive trips taken by several of the administrators. An estimated savings of \$15,000 to \$20,000 could easily be realized in this area.

**Savings        \$20,000**

## **CREDIT CARDS/CELLULAR PHONE USAGE BY BOARD MEMBERS AND ADMINISTRATION**

The possession and use of board of education issued credit cards and cellular phones to board members and administrators is under investigation by the Atlantic County Prosecutor. The Prosecutor has advised us that the investigation centers on possible criminality and misuse of the credit cards and cellular telephones.

All records for the past relative to these matters back to 1986 for credit cards and since their inception for cellular phones have been subpoenaed by the County Prosecutor. Since no documentation was available for review in these areas, no dollar savings figures can be projected. However, through vendor analyses, it can be shown that a total of \$47,136.31

was paid to National Westminster Bank for credit card expenditures incurred by board members and administrators during the 1994-95 fiscal year. This, at face value, appears to be excessive.

Cellular telephone costs totaled \$13,224.97 out of a total of \$181,817.81 for district telephone usage for the 1994-'95 school year.

It is the position of the Local Government Budget Review that there is no reason to provide cellular phones to any board members nor to administrators. The only exception to this may be to provide them to school security and maintenance supervisors due to the nature of their "on the road" jobs. However, walkie-talkies or 2-way radios would be sufficient. The reliance on the use of cellular phones is often too convenient.

Further, to remove all suspicion or potential for misuse of credit cards, it is the position of Local Government Budget Review that these also should not be issued. They too can become too convenient. Card users appear to have made purchases of flowers, gifts and other personal items with Board issued credit cards. There was also a tendency toward extravagance. For example, card users ate breakfast at a New Orleans establishment famous for their breakfast buffet at a cost of \$75.00 per person. It is extremely doubtful that this cost would have been made at personal expense.

All expenses for travel, lodging, meals, etc. commonly placed on credit cards should be done on a pre-approved voucher system and/or on a reimbursement basis where only valid receipts are presented.

Board of Education policy should direct language appropriate to payment of legitimate expenses incurred by board and district staff. Further, board policy should set limits for travel, lodging, and meal expense.

**Credit Card Savings and  
Cellular Phone Savings      \$10,000 +**

## **TRANSPORTATION PROGRAM**

The Atlantic City Board of Education operates 11 schools (8 elementary, 2 middle, and 1 high school) spread over an area of approximately 12 square miles. Until the opening of newly constructed Atlantic City High School in November 1994, the board did not provide transportation to a significant number of students. However, with the opening of the new high school the number of transported students increased substantially.

All transportation routes are contracted out to private vendors. The major private transportation vendor is Safety Bus Company. The district does not provide any courtesy busing and does not own any school buses. All high school students (approximately 1,315) are transported to Atlantic City High School. The total number of transported special education students is 160. In addition the board provides bus tickets (65 cents each) to approximately 395 elementary (living more than 2 miles from the school they attend) and junior high school students and to approximately 217 nonpublic students. The

district has 135 students whose parents receive aid in lieu of transportation. The district does not receive transportation fees from other school districts.

The transportation department is staffed with a director, assistant director and a secretary.

Based on the independent auditor's report and Department of Education reports, the information regarding the transportation aid and the related transportation expenditures were as follows:

	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>Estimated 1995-96</u>
Transportation Expenditures	\$677,893	\$804,837	\$892,957	\$1,927,106	\$1,835,006
Less: Transportation Aid	<u>(483,130)</u>	<u>(566,140)</u>	<u>(574,677)</u>		<u>(507,280)</u>
<b>DEFICIT</b>	<b>\$194,763</b>	<b>\$238,697</b>	<b>\$318,280</b>	<u>(574,720)</u> <b>\$1,352,386</b>	<b>\$1,327,720</b>

Following is an analysis of the number of students transported for the last two fiscal years based on the district's ASSA Transportation Worksheet submitted to the Department of Education.

Year	Regular Public Students	Regular Non Public Students	Special Ed. Students	Total	Paid In Lieu of Transport.	Total
1993-94	395	217	160	772	134	906
1994-95	1,077	222	186	1,485	147	1,632

Notes:

1. Regular public students represent high school students transported to Atlantic City High School.
2. Regular non public students represent students transported to Holy Sprit and Pilgrim Academy.
3. Special Education students represent students transported to various out of district special education schools.

The estimated cost of various transportation routes for the fiscal year 1995-96 is as follows:

<b><u>CATEGORY</u></b>	<b><u>COST</u></b>
Atlantic City High School	\$766,225.40
Athletics	62,579.00
Holy Spirit	62,073.52
Preschool Handicap	89,499.83
Vo-Tech.	76,211.14
Inner City Swim Program	57,000.00
Desegregation Program	105,000.00
Atlantic County Spl. Serv.-Jointure	40,000.00
Pilgrim Academy	30,500.00
Field Trips	15,000.00
<b>TOTAL</b>	<b>\$1,304,088.89</b>

Findings:

1. The position of Transportation Director and Assistant Transportation Director are responsible to carry out similar job functions. Considering that the entire transportation function is privatized, the Assistant Transportation Director position appears to be unnecessary.
2. A review of the transportation routes released that the following transportation routes are operated at less than 100% capacity considering use of a 54 passenger school bus for each route:

<b>ROUTE</b>	<b>NO. OF STUDENTS TRANSPORTED</b>
1. HS - Pickup 1	42
2. HS - Pickup 4	38
3. HS - Pickup 5	25
4. HS - Pickup 16	41
5. HS - Pickup 17	38
6. HS - Pickup 19	31
7. HS - Pickup 23	41
8. HS - Pickup 30	35

3. The district transports its students attending late evening sporting events at the high school. However, in accordance with the board policy, the district school buses do not cross the borders of Atlantic City. As a result, Ventnor, Margate, Longport, and Brigantine school district students attending late evening sporting events at Atlantic City High School are currently transported back to their residence by Ventnor, Margate, Longport, and Brigantine school districts.

## Recommendations:

1. Elimination of the Assistant Transportation Director position as recommended earlier in this report would result in an approximate annual savings of \$45,864. (Annual salary of \$35,280 + approximately 30% benefits of \$10,584.)
2. Although the district conducted a thorough review of the transportation routes and eliminated three (3) transportation routes during the 1994-95 school year, additional efforts must be made to combine routes wherever possible and/or modify the vehicle requirements. Based on the table presented in Finding #2, we believe that three (3) more routes can be eliminated to save \$75,000. (\$25,000 per route x 3 routes)
3. The Board should explore the opportunity to transport Ventnor, Margate, Longport, and Brigantine students attending late evening sporting events using its school buses. This proposal would analyze the cost currently paid by those sending districts compared to the cost of service provided by Atlantic City. This may generate transportation fees and reduce the district's cost in the amount of approximately \$15,000.

Total additional recommended savings for transportation (numbers 2 & 3): **\$90,000**

## FACILITIES

### Building Program

The Atlantic City schools opened a new high school in November, 1994. This \$83 million facility houses a total of 1,985 students in grades 9-12. Included in this total, in addition to Atlantic City resident students, are 658 tuition students from the communities of Brigantine, Margate, Ventnor and Longport.

The majority of the district's ten other buildings housing the pre-K to grade 8 students were constructed in the early 1900's. The older of these buildings are being well maintained but are in poor condition for today's students. All have class sizes ranging from the mid-twenties to low thirties.

The Board of Education has proposed a building program that is in the early stages of development. The plan proposes the following:

- the demolition and replacement of five schools (on existing sites);
- the construction of two totally new buildings
- the abandonment and sale of two buildings

The total construction project calls for some 291 instructional rooms. Currently, there are 199 classrooms. Based upon district enrollment projections of 6,306 K-8 students by the year 2004 (representing an increase of about 1,463 students) and class sizes of 25 students, it is calculated that only about 252 rooms are needed (41 less than projected).

This plan also proposes the change of grade level configuration from K-6 elementary plus two junior highs to all K-8 schools.

The building program projects the renovation/addition construction of one school (Chelsea Heights) in the near future with the others proposed within the next three to five years. A bond referendum is tentatively planned to take place in September, 1996.

All schools are proposed to be “neighborhood school complex” facilities. That is, all will include features such as swimming pools, computer labs, technology labs, gymnasium with locker rooms, offices with showers and laundry areas, auxiliary weight training rooms, home economic and industrial arts rooms, cafeterias (some with complete kitchen and some with satellite warming kitchens), conference rooms, gymnastic room, special instruction room for seniors, art, music (with practice rooms), guidance and CST offices with reception areas, health suite, general and administrative offices and regular, special education and pre-school classrooms.

Each will have playground area for both large and small group play and for playground equipment.

The community school concept in Atlantic City is one that will have each of its schools providing a variety of services such as social, instructional and educational. These will be available to many community groups and organizations “around-the-clock and around-the-year” to all age groups; pre-school, school age, out-of-school youth, adults and senior citizens.

Although this concept is theoretically admirable, it is also in our opinion impractical. Although the concept of being located close to the population served is desirable, the geography of this relatively small city lends itself to have a few strategically located schools. By way of example, two proposed building sites, New Jersey and Massachusetts Avenues schools are in a triangle configuration with the Uptown Neighborhood School Complex, all within two city blocks of each other.

Each replacement or new facility is projected at a cost of \$15,000,000 plus an additional \$14,500,000 for the renovation/addition at two other sites. The projected total cost of the K-8 project is \$104,500,000.

#### Recommendation:

Without challenging the need for each building, a more practical approach is recommended. This recommendation is as follows:

##### OPTION 1:

Renovate the two buildings as planned. Build five, not seven, new and replacement schools geographically located across the city (using current sites) more equidistant from each other to serve the student population. Build only 2 or 3 of these as “neighborhood school complexes” at alternating sites, i.e., Indiana Avenue, Brighten Avenue and Chelsea Heights. These interspersed complexes,



along with the existing complexes at the Uptown and Dr. Martin Luther King Neighborhood Schools and the new high school, will more than adequately and conveniently serve the citizens of Atlantic City. Additionally, we would note that the Police Athletic League (PAL) building at Mediterranean and Tennessee Avenues provides recreational facilities.

Another savings realized by building fewer buildings would be in areas of administrative and support service staff.

**OPTION II:**

A second option might be to build a middle school to house grades seven and eight (1000 students). This option would then reduce the number of instructional spaces required at each elementary site. In addition, the number and size of the core facilities (gym, choral and band areas, industrial and home economics, administrative areas, etc.) would be reduced as well.

The savings generated in either option by constructing two fewer buildings and just three “neighborhood complex” facilities would be in the tens of millions of dollars. In construction dollars it is estimated that \$39,500,000 to \$45,000,000 could be saved. In total dollars to include bonding at 5.4%, it is estimated that \$65,119,670 to \$74,212,190 would be saved by the citizens of Atlantic City over a 20-25 year period. This savings is exclusive of architectural, construction management, legal, bonding and other fees.

Additional savings can be realized as less money is needed for site acquisitions.

**TABLE I  
PROJECTED CONSTRUCTION / BONDING COSTS \***

	<b><u>Current Proposal</u></b>	<b><u>Option I</u></b>	<b><u>Option II</u></b>
Construction Cost	\$104,500,000	\$65,000,000	\$59,500,000
Interest (5.4% / 20 years)	67,781,530	42,161,860	38,589,340
Total (P&I)	172,281,530	107,161,860	98,089,340
Annual Cost (est.ave.)	8,480,000	5,275,000	4,829,000

\* Based upon The Bond Buyer publication dated 11/2/95 rates; “Municipal Market Data,” A-AA rating with an interest average of 5.4% for 20 years of level debt.

Further, it is recommended that at the end of the construction cycle, the Board owned properties of Massachusetts Avenue (vacant lot), the old high school site at Albany Avenue and the combined site of the Central Junior High and Administrative/Maintenance Buildings be sold. The old high school and Central school could be used as “holding” schools providing needed classrooms while other buildings are demolished then reconstructed. It is conservatively estimated these sites could be sold for approximately \$10 million.

A recent development may offer an alternative to the sale of the old high school building. The city’s approved plans for the building of a new Mirage Casino includes a training

facility for future casino employees. This training center would serve not just the Mirage, but all of the other casinos as well. An inquiry has been regarding the availability of this site. Discussion also took place to consider a portion of this building for district administrative and board offices. These options should be explored. They would generate revenue through a long term lease of the facility as a casino industry training site as well as eliminate the cost of the proposed renovations to the Indiana Avenue School site for administrative offices.

It is also suggested that, to save architectural costs, two standard building designs be used for the new construction; one for the neighborhood complexes and one for the other K-8 schools.

**Estimated Savings:** **\$75,119,670 to 84,212,190**  
**over 20 years**  
**(plus incalculable costs for**  
**Administrative fees)**

### **CUSTODIAL AND MAINTENANCE SERVICES**

The custodial and maintenance department is staffed with a Director, Chief of Maintenance, secretary, 12 Head Custodians, 88 custodians and 10 maintenance workers including one listed as plumber and “unclassified” with a salary of \$47,593. Twenty-five (25) custodians have a Black Seal License.

<b><u>Name of the School</u></b>	<b><u>Constructed</u></b>	<b><u>Approx. Sq. Foot</u></b>
1. Atlantic City High School	1994	450,000
2. Brighton	1905/1916	53,130
3. Central Jr. High School	1900/1910	106,340
4. Chelsea Jr. High School	1928/1958	63,920
5. Chelsea Heights	1950/1976	23,220
6. Indiana Ave.	1906/1922/1924	74,640
7. New Jersey Ave.	1925	78,880
8. Richmond Ave.	1910/1960	44,675
9. Uptown Complex	1977/1988	101,960
10. Venice Park	1950	6,730
11. Dr. M.L.King Complex	1976	97,165
12. Administration Bldg.		<u>17,532</u>
	<b>TOTAL</b>	<b>1,118,192</b>

Following is an analysis of the expenditures incurred for facilities/custodial services for last three (3) fiscal years:

	<u>1993-94</u>	<u>1994-95</u>	(Estimated) <u>1995-96</u>
Salaries	\$3,156,968	\$3,307,880	\$3,326,316
Purchased Prof./Tech. Serv.	527,357	561,625	550,000
Cleaning, Repair, Maint.	1,817,649	2,154,342	1,900,000
Other Purchased Property Serv.	145,996	162,657	277,000
Misc. Purchased Serv.	5,272	8,360	0
General Supplies	126,242	142,083	153,000
Other Objects	7,461	7,400	8,000
<b>SUBTOTAL</b>	<b>5,786,945</b>	<b>6,344,347</b>	<b>6,214,316</b>
Add: Employee Benefits (30% of Salaries)	947,090	992,364	997,895
<b>TOTAL</b>	<b>\$6,734,035</b>	<b>\$7,336,711</b>	<b>\$7,212,211</b>
Cost Per Sq. Ft.	\$6.02	\$6.56	\$6.45
Heat and Electricity	940,718	1,350,871	1,085,000
Insurance	593,476	535,483	720,000
<b>GRAND TOTAL</b>	<b>\$8,268,229</b>	<b>\$9,223,065</b>	<b>\$9,017,211</b>

Findings:

1. Based on the review of competitive cleaning and maintenance contracts submitted by private contractors to other school districts in New Jersey, the facility maintenance costs incurred by the Atlantic City School District are excessive. The major reason is the high number of custodians and the resulting level of salaries and benefits. The board has an obligation to the taxpayers of the school district to keep the number of personnel at an optimum size. There are several "rules of thumb" that can be used to compute the number of custodians normally required in a school building. One of the nationally accepted methods is known as the "factoring formula". Although this formula is theoretical and completely empirical, it gives a valuable point of departure. This formula is as follows:

A) Number of teachers divided by 8 = 
$$\frac{500 \text{ approx.}}{8} = 62.50$$

B) Gross area of the building divided by 15,000 = 
$$\frac{1,200,000}{15,000} = 80.00$$

C) Average Building Capacity divided by 25 = 
$$\frac{700}{25} = 28.00$$

D) Factorial Sum (Add lines A, B, and C) = =170.50

E) Divide Factorial Sum by 3 = # of custodians required = 56.83

Considering the theoretical approach of this formula and the size of the Atlantic City High School and the age and condition of the other buildings, we believe that the appropriate number of custodians required should not be more than 130% of this formula or 75.

No. of custodians currently on payroll (Approximately 88 + 12 Head Custodians)	100
No. of custodians required in accordance with the formula	75
<b>Excess number of custodians</b>	<b>25</b>

As stated earlier, the number of custodians also results in high benefit costs. For example, in addition to normal fringe benefits such as health insurance, pension, etc. a shift premium is paid to custodians who are assigned to the second and third shifts as follows:

Shift	Timing	No. of Custodians		Cost
		Premium	Receiving Shift	
Second	Any scheduled shift starting from 10:00am - 3:59pm	\$1,155	27	\$31,185
Third	Any scheduled shift starting from 4:00pm - 6:00am	\$1,625	12	\$19,500
				\$50,685

All shift premiums are included in an employee's base salary for computation of overtime and pension purposes.

2. Minor repairs are being performed by outside contractors due to the fact only 25 custodians possess a black seal license resulting in a lack of adequate technical expertise to perform routine minor repairs.

3. An excessive number of sick days are taken by the custodians. A review of the custodial sick leave records for 71 custodians revealed that, during school year 1994-95, approximately 715 sick days were taken resulting in an average of 10 sick days per custodian per year. Of those 715 days, 39% were taken on Mondays (138) and Fridays (141). In addition, the district paid approximately \$117,000 in custodial overtime and \$105,000 for substitute custodians.

4. To generate energy and operational savings, the Board entered into a lease purchase agreement with Honeywell Energy Management Systems during fiscal year 1992-93, for installation of the following equipment and upgrades:

- \* Lighting Modernization;
- \* Steam Trap Retrofit;
- \* Thermostatic Valve Installation; and
- \* Replacement of 3 Package Unit Rooftop Units

In accordance with the financial analysis included in the contract, the lease purchase agreement would help the Board reduce building operation costs by \$377,059 over a five year period. In addition, Honeywell would conduct a periodic review of program results and guarantee reconciliations. However, as of the date of this report, Honeywell has not submitted documentation of the program results nor provided cost comparisons to prove cost reductions in building operation costs.

5. With the opening of the newly constructed Atlantic City High School, the Board closed its operations in the old Atlantic City High School building. The fate of this building has not been determined at this time. A visit to this facility revealed that:

- \* The building has not been cleaned or maintained since it was evacuated in November, 1994. It is in a filthy condition;
- \* Water leaks in the ceiling tiles were noticed in several parts of the building;
- \* Running tap water was noticed in 2 toilets;
- \* Many valuable supplies and items such as textbooks, student desks and chairs, white bond paper, toner, printers, typewriters, sports wear and school records that were in good and usable condition were left unprotected in the building; and
- \* Lights were left on throughout the building driving up electricity costs. This is but one major example of the tremendous need for a program of inventory control.

#### Recommendation:

1. The Board may either:

(A) Explore opportunities to obtain competitive maintenance contracts from outside private contractors. Based on a review of competitive contracts awarded in other New Jersey school districts, it appears that the Board may be able to obtain a rate of \$3.00 per sq. foot. The contract cost could include all salaries and fringe benefits for the custodial, maintenance, grounds, clerical, and management staff, all cleaning supplies, paper and plastics, ground supplies, on-site computerized maintenance management system, training systems, as well as corporate and divisional support for the on-site team. This could result in annual savings as follows:

<b>Description</b>	<b>1995-96 Budget</b>	<b>Private Contractor Budget</b>	<b>Savings</b>
Salaries	\$3,326,316	\$93,000	\$3,233,316
Employee Benefits (30%)	997,895	23,250	974,645
Purchased Prof./Tech. Serv.	550,000	550,000	0
Cleaning, Repair, Maint.	1,900,000	1,400,000	500,000
Other Purchased Property Serv.	277,000	277,000	0
General Supplies	153,000	100,000	53,000
Heat & Electricity	1,085,000	1,085,000	0
Insurance	720,000	720,000	0
Other Objects	8,000	8,000	0
Full Service Charge (\$3.00 per sq. ft)	0	3,354,576	(3,354,576)
<b>SUB TOTAL</b>	<b>\$9,017,211</b>	<b>\$7,610,826</b>	<b>\$1,406,385</b>

OR:

(B) Eliminate twenty-five (25) custodial positions, eliminate custodial overtime, reduce sick leave usage by 50% and reduce hiring substitute custodians. This may result in an annual savings of \$743,750 as follows:

<b>Description</b>	<b>Annual Savings</b>
1. Elimination of 25 custodial positions at an average of \$26,000 each	\$650,000
2. Elimination of employee benefits (30% of \$650,000)	195,000
3. Elimination of shift premiums	50,685
4. Elimination of custodial overtime (75%)	97,500
5. Elimination of hiring of substitute custodians (75%)	<u>78,750</u>
<b>TOTAL</b>	<b>\$1,071,935</b>

2. The Board should consider implementing a training program for custodial personnel on small repairs.

3. The Board should follow up with Honeywell to obtain written program results to document the guaranteed cost reduction in energy costs.

4. Routine maintenance and cleaning should be performed at the old High School building. Additionally, the Board should conduct a physical inventory of the various valuable items identified and consider their proper use.

**Total Recommended Savings for Facilities: \$1,071,935 - \$1,406,385**

## **PURCHASING PROCEDURES**

The purchasing department is organized with a Manager of Computerized Purchasing Services, one secretary and four stockroom clerks (3 full-time and 1 part-time).

The district has developed a document entitled “Purchasing Manual” that explains the purchasing procedures in detail. During fiscal year 1994-95 approximately 5,000 purchase orders were issued and processed. The various steps in the purchasing procedure are as follows:

Step 1: A typed purchase requisition is prepared. A purchase requisition includes the name of the person submitting requisition, date, department or school, budget year charged, budget account number, quantity, description of items along with cost and catalogue number, name of the vendor and address, and state contract number, if applicable.

Step 2: The supervisor/administrator or the school principal certifies that all items on the requisition are properly completed and that funds are available in the budget to cover the requested purchase.

Step 3: Requisition is signed by the supervisor/administrator or the school principal. A copy of the requisition is then forwarded to the Superintendent and/or Assistant Superintendent.

Step 4: Each requisition is reviewed by the Superintendent and/or Assistant Superintendent for educational value or purpose, and if found appropriate, is signed and forwarded to the business office.

Step 5: The Business Administrator reviews each purchase requisition for educational need, availability of funds, and for any missing or incomplete items. If the Business Administrator is satisfied that requirements have been met, he/she signs the requisition and a five part purchase order is processed.

Step 6: Copies of the purchase orders are distributed to Vendors and the related departments.

### **Findings:**

Although formal purchasing procedures are described as being in place, our review of the purchase orders revealed that these procedures are not followed. Most of the purchases related to the Board, Superintendent’s office and Business Administrator’s office are not channeled through the Purchasing Department.

Recommendation:

The purchasing procedures must be followed. All purchase orders should be processed using the established purchasing procedures.

## **SECURITY**

There is much debate in the Atlantic City community regarding the appropriate amount of security needed in the city's schools. The Superintendent and Board President determined to place emphasis on each student learning appropriate behavior and, therefore, required fewer security guards for student discipline purposes. The number of security guards had been reduced at the end of the last school year. Recent fights (October) at the high school brought parental and area political pressures to increase the security force.

In addition to the regular security personnel, there is a lengthy part time and substitute security personnel list. These personnel appeared to be employed regularly to cover after school, Saturday and sporting events. Over-time pay and the assignment of security by the athletic director seems to be a common practice.

We would also question the training given to the staff and their ability to handle security responsibilities. The hiring practices do not appear to follow established application, interview, reference and background checks, and selection procedures. Proper police department notification and liaison procedures need review as well.

A second security issue which needs to be improved is the protection of property and facilities. A complete inventory control system needs to be established. Considerable theft of computers, technology equipment, tools, maintenance equipment and other items of value were reported to us and appear to be confirmed by repetitive purchases of these items.

Recommendation:

It is recommended that a complete study of the total security operation be performed. Included should be consideration of privatizing in this area whereby a private contractor would be responsible for all aspects of security. The Lakewood School District awarded a privatized contract successfully for its schools' security after preparation of extensive bid specifications. With careful planning, there is opportunity for real savings with excellent services in this area of concern.

## **INVESTMENT AND BANKING MANAGEMENT**

The team reviewed the savings and checking accounts maintained by the Atlantic City Board of Education for the purpose of identifying ways the district can improve its investment income and reduce the costs associated with managing its accounts.



During the 1994-95 school year the district maintained 13 accounts. The following chart lists the accounts by name and account number, average daily balance for the year, average interest rate earned and the total net income earned for the year.

ACCOUNT NAME	AVE. DAL. BAL.	AVE. INT.	TOTAL INT.
1. Bank of NY Board acct #6102236570	\$8,643,747	1.60%	\$112,437
2. First Fidelity Bank Board acct. #0010154	2,011,460	2.06%	62,654
3. First Fidelity Bank All school #006980376	175,897	none	none
4. Nat West acct #2011018893	10,892	none	none
5. Midlantic Bank CECEPT #3-00104243-3	62,317	2.20%	1,424
6. First Fidelity Bank Food Ser. acct #006980368	1,024,300	1.75%	21,235
7. Bank of NY Payroll acct #6103760567	not verified	----	----
8. Bank of NY Payroll acct #6101349436	not verified	----	----
9. National West Bank Payroll acct #2011092244	not verified	----	----
10. NJ Arm Program	see details	5.31%	840,087
11. National Comm. Bank Savings acct #6161331412	1,583,480	2.85%	44,359
12. Midlantic Bank CD Savings acct	2,856,960	5.16%	180,430
13. National Comm. Bank Savings acct #6161318505	2,643,726	2.75%	73,025

Accounts #3 and 4 were for school activity funds that carried the balances indicated and did not earn interest.

The Atlantic City Board of Education has an agreement with the NJ ARM (Arbitrage Rebate Management Firm) located in Princeton, NJ. NJ ARM maintained a trust fund of the proceeds of the \$83 million high school construction.

The trust fund consists of a joint investment trust, designed to provide participants with a convenient method of pooling proceeds of bonds for temporary interment pending their withdrawal for construction expenditures.

The NJ ARM program provides the following services to the Atlantic City Board of Education:

1. Investment management advice
2. Portfolio Trading
3. Bank Custody Services
4. Checking account services
5. Wire transfer service
6. Arbitrage rebate compliance and calculation including filing any reports with the Internal Revenue Service
7. Legal advice from program counsel if necessary
8. Annual Audit of the program
9. Financial statement reporting
10. Monthly statement of account transactions and holdings.

The NJ ARM Program charged the district with the following for the 1994/95.

1. \$17,203 for the fund in the pool
  2. \$18,043 for the fund in portfolio security
- Total of the service charges was \$35,246.

The district earned \$840,087 for the 1994/95 in the portfolio security and trust pool fund.

Pool earning	\$492,351
Gov. sec.	\$347,736
TOTAL	\$840,087

The team compared the total interest earnings for the above accounts to what would have been earned if the Board had invested with the Cash Management Fund of the State of New Jersey.

The team does not suggest that the district look at the Cash Management Fund of the State of New Jersey as the only investment opportunity, but it does provide a basis for comparison. It is in the best interest of the district to review constantly its cash management practices to generate the best income possible for tax relief for the district taxpayer.

The Cash Management Fund of the State of New Jersey is one of a number of funds invested by the Division of Investment of the Treasury Department under the jurisdiction of the State Investment Council. The Fund was established in 1977, and a separate report has been prepared annually since fiscal 1978, when legislation was enacted which

permitted New Jersey municipalities and other public entities to participate in the Fund. The purpose of the Fund is to provide a convenient and economical means of investing short-term funds at the best rates available for prudent investments.

Recommendations:

1. The district should consider obtaining written proposals concerning the handling of all depository accounts and banking services.
2. The district should restructure most of its bank accounts to improve the interest income and also established procedures to insure that transfers from the general account are not made until the funds need the money and will not leave a large balance.
3. The team found it would be in the best interest of the district to continue to invest the remainder of the \$83 million in the NJ Arm Program since the net interest earned with the NJ ARM exceeds what could be earned in the Cash Management Fund.
4. The team compared the actual interest earning of the district to the Cash Management Fund of the State of New Jersey and found there is a potential for additional interest income as follows:

<b>Acct Name</b>	<b>Actual Int</b>	<b>Proposed Int</b>	<b>Net Int Gain</b>
Bank of NY Acct. #6102236570	\$112,437	\$432,187	\$319,750
First Fidelity Bank Acct #0010154	62,654	100,573	37,919
First Fidelity Bank Acct #006980376	None	8,795	8,795
Nat West Acct #2011018893	None	545	545
Midlantic Bank CECEP #3001042633	1,424	6,232	4,808
First Fidelity Bank Acct. # 006980368	21,235	51,215	29,980
National Comm Bank Acct #6161318505, Sav.	73,025	130,364	57,339
National Comm Bank Acct #616331412	44,359	79,174	34,815
<b>TOTAL</b>	<b>\$315,134</b>	<b>\$809,085</b>	<b>\$493,951</b>

**Total projected additional interest earned through optional investment strategies**  
**\$493,951**

**SENDING/RECEIVING TUITION**

The Atlantic City Board of Education has a sending/receiving relationship contract with the boards of education of the Brigantine, Longport, Margate and Ventnor school districts to educate their grade 9 through 12 students. Provisions of the contract require the sending districts to make monthly payments of one tenth of the projected tuition from September through June of the school year to the Atlantic City Board. This payment schedule has largely not been followed by the districts. In fact, the major portion of the tuition was not paid at the close of the fiscal year. This represents a sizable loss of revenue to the Atlantic City Schools in lost interest income and in providing the education of the sending district students at Atlantic City taxpayer expense while waiting for their monthly share of the tuition funds.

The following exhibits the tuition expense due from the sending districts for 1993-'94:

Ventnor	\$2,452,008
Brigantine	404,219
Margate	73,426
Total	\$2,929,653

According to district accounting records only \$438,407 was paid by the end of the year leaving a balance outstanding of \$2,491,246 in unpaid tuition receivable funds. Invested at 5% interest, this represents a potential loss of \$124,562 in revenue to the Atlantic City Schools.

Feedback from the business office and confirmed by Ventnor officials indicated this pattern followed in the 1994-95 school year payments and that, in fact, Ventnor still owes a tuition balance. This is not proper, and there should be mechanisms in place to assess penalties for late (beyond 30 to 60 days) contractual tuition payments. It is recommended that the Atlantic City business office institute a regular monthly billing procedure for tuition to the sending districts and notice of any late payment. These statements must be documented.

The review team is well aware of the controversy and challenge to the tuition fee calculation from the sending districts and their community officials. A meeting was held on August 14, 1995 in the Atlantic City High School conducted by Department of Education officials, the Atlantic County Superintendent, and the NJ Southern Regional County Superintendent with representatives from all sending districts and Atlantic City school officials. The intent of this meeting was to resolve the questions surrounding the tuition calculation and to determine if the methodology and actual calculations were done correctly. Although the actual calculations of the tuition was high, the Atlantic City Business Administrator was exonerated for his correct methodology in determining the rates. There was some justification for the high tuition figures due to a change in

accounting principals the previous year and the uncertain cost of opening the new high school.

Regardless, controversy and displeasure are not valid reasons for their failure to meet contractual obligations.

**Savings (loss of tuition revenue interest)      \$124,562**

## **FOOD SERVICE**

The Local Budget Review Team conducted an extensive review of the district's food service program. Interviews were conducted with the Food Service Director and various staff members. School kitchens and cafeterias were visited, operations observed, and various documents scrutinized. A careful analysis was done of the financial records as reported in the Comprehensive Annual Financial Report (CAFR) for the years ending June 30, 1992, 1993, 1994 and 1995.

According to the CAFR and budget guidelines, if a district receives state and/or federal reimbursement for food service costs or collects fees from students for the cost of meals, the entire food service operation activity must be recorded in an enterprise fund and not in the general fund of the budget. Any contribution made by the Board toward the food service operation is reported as one lump sum transferred to cover any deficits. These costs should not be included elsewhere in the budget. However, if the full cost of the operation is funded by the Board, the expenditures should be categorized and reported in the general fund.

The Atlantic City Board of Education receives state and federal reimbursements and collects fees from students for lunches. Therefore, the entire food service operation must be recorded in the enterprise fund and so reported. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises with the intent that the costs of providing goods or services be financed through user charges.

It should be noted that the CAFR and district audits for the years reviewed are in error. They indicated that all labor and fringe benefit costs were included in the enterprise fund. Those reports indicated a profit was generated for each of the three years while in fact a significant loss occurred.

The review team found that the food service administrative and managerial staff salaries and the employee benefits for the entire food service staff are not charged correctly to the enterprise fund. The salaries of the Director, Field Supervisor and five production kitchen managers totaling \$258,313 are paid out of the general fund. Based upon a conservative estimate of 30% of salaries for benefits for food service workers, an

additional \$442,573 is paid by the board from the general fund. This alone represents an unreported deficit totaling \$700,886 in the food service program operation.

Salaries of administrative staff =	\$258,313	
benefits @ 30%		77,494
Benefits for remaining food service staff	365,079	
Total	\$442,573	
<b>Total deficit</b>	<b>\$700,886</b>	

The tables below illustrate the operating income and expense of the food service program for the years noted.

**TABLE 1**

<b><u>Income:</u></b>	<b><u>1991/92</u></b>	<b><u>1992/93</u></b>	<b><u>1993/94</u></b>	<b><u>1994/95</u></b>
Daily sales	286,069	253,951	340,629	348,810
Special function	107,014	118,357	19,836	31,059
Non operating revenues	1,446,022	1,527,804	1,795,900	1,818,294
Interest/Others	74,399	61,033	0	35,241
<b>TOTAL INCOME</b>	<b>\$1,913,504</b>	<b>\$1,961,145</b>	<b>\$2,156,365</b>	<b>\$2,233,404</b>
<b><u>Operating Expense</u></b>				
Cost of food	782,949	746,910	868,668	1,005,522
Supplies and materials	83,677	81,264	104,923	110,775
Salaries	996,459	1,013,974	974,146	991,434
Employee benefit			74,545	0
Depreciation	8,221	13,093	18,078	17,493
Other repairs	28,866	37,670	29,784	19,936
<b>TOTAL EXPENSE before Board contributions</b>	<b>\$1,900,172</b>	<b>\$1,892,911</b>	<b>\$2,070,144</b>	<b>\$2,145,160</b>
<b>NET INCOME &lt;LOSS&gt;</b>	<b>\$13,332</b>	<b>\$68,234</b>	<b>\$86,221</b>	<b>\$88,244</b>
<b>Board Contribution</b>				
Salaries	<b>\$245,000</b>	\$235,000	\$259,075	*\$272,029
Benefits	<b>\$372,437</b>	\$374,492	\$295,421	**\$295,421
<b>TOTAL</b>	<b>\$617,437</b>	<b>\$609,492</b>	<b>\$554,496</b>	<b>\$567,450</b>
<b>Total Oper. Exp. with Brd. Contributions</b>	<b>\$2,517,609</b>	<b>\$2,502,403</b>	<b>\$2,624,640</b>	<b>\$2,712,610</b>
<b>Total Salary &amp; Emp. Benefits</b>	<b>\$1,613,896</b>	<b>\$1,623,466</b>	<b>\$1,603,187</b>	<b>\$1,558,884</b>
<b>Net Income &lt;loss&gt;</b>	<b>(\$604,105)</b>	<b>(\$541,258)</b>	<b>(\$468,275)</b>	<b>(\$479,206)</b>

**TABLE 2**  
**Number  
Meals**

		<b><u>1991/92</u></b>	<b><u>1992/93</u></b>	<b><u>1993/94</u></b>	<b><u>1994/95</u></b>
Enrollment		6,502	6,549	6,580	6,959
LUNCH	Paid	128,001	123,505	95,357	97,537
	Reduced	108,502	114,888	76,013	64,483
	Free	611,910	647,898	710,888	726,149
	<b>TOTAL</b>	<b>848,413</b>	<b>886,291</b>	<b>882,258</b>	<b>888,169</b>
BREAKFAST	Paid	20,242	19,500	15,234	13,338
	Reduced	24,548	22,802	16,422	14,151
	Free	154,275	142,756	149,873	143,253
	<b>TOTAL</b>	<b>199,065</b>	<b>185,058</b>	<b>181,529</b>	<b>170,742</b>
<b>TOTAL MEALS</b>		<b>1,047,478</b>	<b>1,071,349</b>	<b>1,063,787</b>	<b>1,058,911</b>
<b>Cost per Meal (Break. &amp; Lunch)</b>		<b>\$2.40</b>	<b>\$2.34</b>	<b>\$2.47</b>	<b>\$2.56</b>
<b>Cost per Meal (Salary &amp; Benefit only)</b>		<b>\$1.54</b>	<b>\$1.52</b>	<b>\$1.51</b>	<b>\$1.47</b>
		<b>64%</b>	<b>65%</b>	<b>61%</b>	<b>57%</b>

\* Estimated increase of 5% from last year.

\*\* Estimated same figure of benefit as last year.

Atlantic City Schools currently charge \$1.60 for student lunches in the senior high, \$1.35 in the junior high and \$.40 for reduced price lunches. No students pay for meals (lunch or breakfast) in the elementary schools. These are paid out of a family trust fund established by the Poucher Family in 1934. This is a donated trust fund left to the Board of Education to feed the elementary school children of Atlantic City.

The Atlantic City Schools have production kitchens in five of their schools (senior high, two junior highs, the Martin Luther King and Uptown Complexes). The other six elementary schools have their lunches sent to their cafeterias from the production kitchens.

Staffing for the food service program includes 85 employees. They are assigned as follows:

**TABLE 3**

See page 56A



**TABLE 4**  
**Atlantic City Board of Education**  
**Food Services**  
**Allocation of Food Service Personnel By Salary, Wage & Benefit Groups**

GROUP 1: Annual salary, benefits, longevity  
 7 positions: (Salary \$258,313 + Benefits \$77,494)

GROUP 2: Annual salary, benefits, longevity  
 Hourly rate: \$10.00 - \$16.81  
 47 positions or 55%

GROUP 3: Annual Salary, benefits, longevity  
 Hourly rate: \$6.00 - \$9.99  
 28 positions or 33%

GROUP 4: Hourly wages, no benefits and longevity  
 3 positions or 4%

NOTE: Of the 85 employees, 27 employees or 32% work 4 hours or less

**Recommendations:**

The food service operation is an enterprise program which is intended to be self-supporting and any contribution made by the Board should only be to cover any unforeseen deficits. The review team believe that the continued operating losses demonstrate the need to take remedies to correct the deficiencies. Following are two options recommended for the Board to consider.

OPTION I: Contract the food service operation out with a private management company. The review team believes that an average savings of approximately \$537,000 (average of board contributions over years evaluated) is attainable by competitively contracting the total food service operation in the Atlantic City Schools.

Throughout the State of New Jersey there are approximately 200 school districts that contract food services with management corporations. They have generally reported a tremendous degree of satisfaction with the system. The reality is that excessive costs must be eliminated whether it is done by the Board or through some form of competitive contracting.

OPTION II: Continue to operate the food service program with the following recommendations:

Tables 3 and 4 illustrate that 82 out of the 85 food service workers (96%) receive health benefits. Twenty-seven (32%) of these 85 employees work 4 or less hours per day and 24 of those 27 still receive full benefits. The majority of these part-time workers receive

more in value for benefits approximately \$8,000 for family or employee/spouse coverage than they earn in their full annual wage.

Benefits are calculated as \$7,154 for family medical coverage plus \$530 in FICA at 7.65% plus \$278 in pension benefits at .4% totaling \$7,962.

It is recommended that these employees be maintained as part-time employees and that payment of benefits be discontinued. The savings that would be generated by discounting coverage for employees working less than 20 hours would equal \$191,088 (24 employees x \$7962 - calculated cost of benefits).                      **Savings                      \$191,088**

New rules adopted by the state Health Benefits Commission on September 21, 1995 effective October 16, 1995 now permit school districts to set a higher workweek standard before an employee is considered “full-time” and eligible for benefits. This change if implemented could increase the savings by two to three times (\$382,176 to \$573,264). This change would impact upon all other part-time personnel employed in the district.

It is also recommended that the position of “Assistant Director” (Field Supervisor) be eliminated along with four general worker positions as indicated at the bottom of Table 3 with the calculated savings in salary and benefits.                      **Savings                      \$132,320**

The team further recommends the restructure of the food service bank account. The account’s average daily balance was \$1,024,300 during FY 94/95 with an interest rate of just 1.75%. The restructuring of this account should improve the interest income by about \$30,000. In addition, procedures should be established to ensure that transfers from the general fund are not made until the food service enterprise fund is in need of the money.                      **Savings                      \$30,000**

**Total savings with Option II                      \$353,408**

**Savings - Food Service Program                      \$353,408 to \$537,000**

## **SHARED SERVICES**

As indicated in the Best Practices section of this report, the Atlantic City Board and Business Administrator are to be commended for their resolution to join the Atlantic County Cooperative Pricing System. The key now to realizing savings is to participate actively in the group. There are tremendous opportunities for cost savings through cooperative purchasing and joint services. These include opportunities with the county, the city government and with the sending and area school districts.

In interviews with sending district officials, they are very eager to enter into cooperative ventures with the Atlantic City Schools. Even if tremendous cost savings would not be achieved for the Atlantic City Schools, the Brigantine, Margate and Ventnor Schools should gain savings.

Importantly, this would provide a tremendous opportunity for the Atlantic City Schools to improve positive relations with those districts.

Areas of expressed interest for shared services by the sending districts include purchasing and warehousing, technology (networking, purchasing, staff training, management and student information systems), staff development, special education, maintenance, student programs, transportation and others. There is a vast array of areas to explore with near limitless possibilities.

Communities attempting to pursue shared services are realizing positive results and are receiving recognition for doing so. Several have received state Community That Works awards. Communities in the nearby counties of Cape May (Cape May County Cooperative Pricing System) and Camden (Camden County Municipal Shared Services Consortium) are examples of award winning shared service successes.

There are areas of cooperation between the school district and the city as well as various regional agencies, businesses, and Stockton State College. Some of these were previously cited in the Best Practices portion of this report.

## **REGIONALIZATION**

A discussion relative to shared or consolidated services cannot take place without an exploration into the possibilities of regionalization of school districts. Discussion regarding this topic has taken place over decades and should continue. The creation of one pre-K - 12 district for the communities of Atlantic City, Brigantine, Longport, Margate and Ventnor rather than four separate and independent school districts appears to be worthy of careful consideration. The educational value of a clear articulation of the curriculum through all grades in all schools must be considered. It is a recommendation that a thorough joint study of the districts be commissioned to explore all advantages and disadvantages to each district for single pre-K - 12 school district.

## **SPECIAL EDUCATION**

The Atlantic City School System presently has in its Special Education (SE) Program 709 classified students (including 107 students who are classified for Speech only). Excluding Speech, of the remaining 602 students, 513 are educated within the district (106 in self-contained classes, and the remaining 407 in resource rooms). The other 89 SE students are sent out of the district to both public and private educational centers. The distribution of out-of-district students is as follows:

- 64 to the Atlantic County Special Services School District
- 8 to private day schools
- 11 to regional day schools
- 6 to out-of-district public school districts

Students are usually sent out-of-district due to the extent or nature of the disability and/or the fact that parents are “partners”, by law, in the placement process and have request too alternate schooling programs.

Table #5 Cost-per-Pupil for Out-of-District Special Education Students

<b>School Type</b>	<b>Number of Students</b>	<b>Estimated Average Tuition per Pupil</b>	<b>Estimated Average Transportation per Pupil</b>	<b>Estimated Average Cost per Pupil</b>
PRIVATE	8	\$25,000	\$2,000	\$27,000
PUBLIC	6	\$15,000	\$3,000	\$18,000
RESIDENTIAL -	-	-	-	-
<b>*ACSSSD</b>	<b>64</b>	<b>\$ 4,500</b>	<b>\$3,000</b>	<b>\$ 7,500</b>
REGIONAL DAY	11	\$18,000	\$3,000	\$21,000

\* Please note that special services school districts receive the state aid for these placements directly from the state. All other tuition placements are state aided at the pupils’ district of residence.

The average cost-per-pupil for out-of-district special education students is \$11,629.21. The district’s overall cost-per-pupil (Pre-K to 12) is \$6,326.

As is shown above in Table 5 the cost-per-pupil for the 64 students enrolled in the Atlantic County Special Services School District (ACSSSD) is \$7,500. This is significantly lower than out-of-district special education students placed elsewhere but still higher than the overall cost-per-pupil (Pre-K to 12).

Efforts are being made at this time to provide as much in-district placement of special education students as is deemed feasible and cost-effective. Special education students are not sent out-of-district unless the district is unable to provide an appropriate level of education. Yearly assessments are made to the special education population and its needs.

The Atlantic City School District presently maintains 13 self-contained special education classes distributed among the 11 district schools to provide instruction for 106 special education students. There are no tuition-paying special education students received from other districts.

In an effort to help the Atlantic City School District identify ways to control costs for self-contained special education classes, the Review Team compared the allowable classroom capacity per type of impairment with actual classroom capacity in the district. As shown in

Table 6, the Review Team found that a maximum of 42 additional students could be educated within the District without hiring any additional teachers or aides.

**TABLE 6  
ATLANTIC CITY PUBLIC SCHOOLS  
SELF-CONTAINED CLASSROOMS**

<b>Class. Type</b>	<b>School</b>	<b>Age Range</b>	<b>Aide</b>	<b>Number of Students</b>	<b>Class Capacity</b>	<b>Avail. Space</b>
PSH	Rich. Ave.	3- 5	yes	11	12	1
PSH	Rich. Ave.	3- 5	yes	11	12	1
PSH	Venice Pk.	3- 5	yes	8	12	4
PSH	Venice Pk.	3- 5	yes	8	12	4
TMR	Rich. Ave.	7- 9	no	7	10	3
TMR	Rich. Ave.	8-12	yes	4	13	9
TMR	Rich. Ave.	15-19	no	7	10	3
ED	Rich. Ave	7-11	no	8	8	0
ED	ACHS	16-18	no	7	8	1
EMR	NJ Ave.	7-10	no	9	12	3
EMR	ACHS	16-18	no	7	12	5
PI	Uptown	8-11	no	9	12	3
PI	MLK	10-13	no	7	12	5
<b>TOTAL</b>				<b>103</b>	<b>145</b>	<b>42</b>

NOTE: Special Education Classifications are as follows:

- PSH - Pre-school Handicapped
- TMR- Trainable Mentally Retarded
- ED - Emotionally Disturbed
- EMR- Educable Mentally Retarded
- PI - Perceptually Impaired
- AH - Auditorially Handicapped
- EDT - Eligible for Day Training
- MH - Multiple Handicapped
- NI - Neurological Impaired

The Review Team recognizes that differences in age grouping or other legitimate circumstances may preclude the district from filling every special education classroom to capacity or that special situations may exist as a result of analysis completed by the Child Study Teams (CST's). The team also realizes that "allowable capacity" means "maximum" number of students, not "recommended" number of students. However, it is

imperative that the District continue to scrutinize carefully this matter every year and be certain that resources within the district are utilized to the fullest extent possible before commitments are made to outside educational centers resulting in major tuition and transportation expenses.

The transience rate in this school system is significantly high (over 25%) as compared to most other districts in the State. Many of the students entering the system each year are either classified or are found to have special needs which often lead to classification. Therefore, it is prudent to maintain some room for growth in the special education classes where and when possible.

It should be noted that many special education students enter the district after the October 15th cut-off date for State aid, meaning that the Atlantic City School District must provide services for these students with no financial assistance from the State. In an average year, the number of incoming special education students is, for the most part, close to the number of special education students leaving the school system. Even though this transience does not pose significant additional costs to the district, the volume of work required of CST's is significantly affected. Though the caseloads remain pretty much the same, the composition of these loads is constantly changing.

## OUT OF DISTRICT PLACEMENTS

School	Classification	# of Students
ACSSSD	AH	4
ACSSSD	EDT	4
ACSSSD	EMR	6
ACSSSD	<b>MH</b>	<b>53</b>
ACSSSD	NI	2
ACSSSD	PI	1
ACSSSD	PSH	2
ACSSSD	TMR	<u>1</u>
	<b>TOTAL</b>	<b>73</b>

### AGES

Corbin City	AH	1	6
Corbin City	EMR	1	11
<b>Corbin City</b>	<b>MH</b>	<b>8</b>	<b>5,6,7,10,11,11,13,17</b>
<b>Corbin City</b>	<b>TMR</b>	<b><u>7</u></b>	<b>8,13,17,19,20,20,21</b>
	<b>TOTAL</b>	<b>17</b>	

**note: Corbin City is part of the ACSSSD**

Katzenbach	AH	3	13,15,19
Katzenbach	D	1	12
	<b>TOTAL</b>	<b><u>4</u></b>	

### Other Out-of-district School Placements

Burlington Child.	ED	1	14	private
CMCSSSD	ED	1	17	state
Camden Day	EDT	2	9,11	state
Ctr. for AU Child.	ED	1	15	state
				(BCSSSD)
Coastal	ED	1	19	private
EHT	MH	1	14	state
Foreman	PI	1	17	private
Lakegrove	ED	1	18	private
Overbrook	ED	1	16	private
Ranch Hope	ED	2	16,16	private
Ranch Hope	MH	1	14	private
Somerset Hills	MH	1	14	private
Vision Quest	ED	1	18	private
	<b>TOTAL</b>	<b><u>15</u></b>		

Every effort is made to minimize the cost of transporting out-of-district students to and from the schools they are attending. Atlantic City engages in several jointures with other area districts; e.g., Egg Harbor Township and Absecon.

#### **Number of Students Out of district With These Classifications**

		<b>ACSSSD STUDENTS</b>	<b>OTHER SCHOOLS</b>
AH	9	4	5
ED	9		9
EDT	6	4	2
EMR	7	6	1
<b>MH</b>	<b>64</b>	<b>53</b>	<b>11</b>
NI	2	2	--
PI	2	1	1
TMR	8	1	7
PSH	2	2	--

#### **Child Study Teams (CST's)**

There are four child study teams (CST's) in the Atlantic City School System under the Supervisor of Special Education. Each team consists of a psychologist, a social worker, an LDT-C and one secretary. Team 1 handles four of the elementary schools plus the one parochial school located in Atlantic City. Team 2 handles the other four elementary schools. Team 3 services the two junior high schools and, along with one additional social worker the out-of-district placements, and Team 4 is in charge of special education in the high school.

CST Evaluation Logs for the 1994-5 school year totaled 880 workups: 305 learning assessments, 290 psychologicals and 285 social assessments.

The Pupil Assistance committee (PAC) is a concept that was developed by the "Plan to Revise" school districts. The "Plan to Revise" school districts refers to those districts whose educational plan included innovative and creative ways in which to educate and assist children in an effort to prevent future problems. One goal of this concept is to divert children from classification through the development of an intervention program. The practice allows identification of students who are having difficulty and referral of the students to the Pupil Assistance Committee for development of an intervention plan and procedure. Atlantic City's Program, referred to as ACEIS (Atlantic City Educational



Improvement System), has been partially successful. In response to a recommendation in the district's monitoring report, efforts are being made to make the program totally successful in each of the district's schools.

**Recommendation:**

Space permitting, efforts should continue to be made to return as many out-of-district special education students to Atlantic City self-contained classes as is deemed feasible and cost-effective. Most of Atlantic City's out-of-district special education students (64) have MH classifications. Though 53 of these students are in ACSSSD and the tuition/transportation cost is only about \$1,000 above the district's average-cost-per-pupil, another 11 MH students are in other institutions (some private) which are more costly. Targeting the return of these 11 students, where possible, and returning other MH students presently in the ACSSSD to fill up unused classroom space; as well as hiring additional special education aides where none exist, could realize potential savings for the district.

If only one-half of the 42 available spaces in existing special education classrooms were to be filled by bringing students back from out-of-district placements, savings would be about \$1,174 per student from ACSSSD schools. This would realize a savings for the Atlantic City School System of approximately \$24,654.

Students brought back to the district from out-of-district placements other than ACSSSD would each save the Atlantic City school district approximately \$5,300. Presently, by example there are also 9 ED students placed in facilities, other than ACSSSD. Eight of these students are within a 5 year age range. Taking into consideration individual circumstances, e.g., degree of handicap, specific needs, etc.; even if only 4 of these students could be returned to the district in self-contained ED classes, it could result in significant savings for the district; an estimated \$21,200.

Also, it is imperative that any future construction of educational facilities in the Atlantic City School System include plans for returning as many out-of-district special education students as possible to in-district self-contained classes.

**TOTAL Savings      \$45,854 +**

**Bilingual and ESL (English as a Second Language) Programs**

As of August 30, 1995 the Atlantic City School System has 758 bilingual students; 85% speaking Spanish, 7% Vietnamese, 2% Gujarati and 6% others (consisting of ten or more different languages).

The school system employs 24.5 bilingual teachers and 18.5 ESL instructors. Bilingual classes range in size from 15 to 35 students, averaging 25 students. ESL teachers instruct between 30 and 53 students for varying time periods during the course of the school day.

An ESL student receives between 30 minutes and 2 hours of ESL instruction, depending on individual need.

When there are not enough bilingual students in a specific Atlantic City school to form a class with an age range of four years or less the district utilizes a State-approved “pull-out” bilingual program; e.g., Chelsea Heights maintains a pull-out program for all grades (K-6) for its 25 bilingual students.

There is some busing of bilingual students to specific schools within the district. This is being done to comply with State-mandated desegregation efforts and to provide a balance of racial mix throughout the district.

There is a lot of transience within the LEP (Limited English Proficiency) student population in the Atlantic City School System due to the Casino employment opportunities, seasonal work and migrant populations. It is estimated that only about 30% of any given LEP student population remains in the district for more than 3 years.

It is difficult to measure how long it takes bilingual students to “test-out” of the bilingual program due to the fact that there are several different approaches in place for bilingual education. For example, four elementary schools (Indiana, Brighton, Richmond & New Jersey) are employing the “Traditional,” “Delayed- Exit,” “Early Emergence,” and “Two-Way” Bilingual Program, respectively.

From a budgetary perspective, the Board of Education is cognizant of and receptive to the needs of the bilingual and ESL programs.

There are two bilingual special education teachers in the district, but not all classified bilingual students are being reached. There are no bilingual speech teachers.

A Parent Advisory Council is used to keep the community informed as to the bilingual program and opportunities in the school system and community.

The Atlantic City high school has no formal bilingual program. There is one basic skills bilingual teacher, five ESL instructors and a program entitled Communication in Native Language to reinforce instruction in grammar and composition skills.

One major problem in the Atlantic City School System is the fact that there are not enough certified secondary level bilingual teachers for such disciplines as the sciences, math and social studies. The school system has, and continues to budget for these positions but simply cannot find certified teachers.

Recommendation:

Several options exist to address this problem.

1. Requirements for bilingual teacher certification should be reexamined by the State with an eye for simplifying or waiving some of the more technical requirements without compromising the quality of bilingual instruction.

2. The emergency certification procedure should be more aggressively pursued by the district in efforts to address the needs of its significantly large bilingual student population.
3. The district should consider encouraging potential secondary level bilingual teachers to take advantage of the “alternate route” program for teacher certification.

#### Suggestion

The State Department of Education, as well as the Division of Higher Education, should counsel high school and college students considering careers in secondary education towards the market for bilingual secondary education teachers.

Another problem facing the Atlantic City School System is the growing number of bilingual students of varying ages and grade levels speaking a wide range of languages other than Spanish. Aside from the Spanish speaking student population, there are 109 other bilingual students speaking an additional 14 languages. With the exception of Vietnamese students, there are not enough students speaking any of the other 13 languages to warrant creating separate classes. Other shore communities in the Greater Atlantic City area, e.g., Brigantine, are experiencing similar problems.

The above problem is compounded by the fact that, an increasing number of students from foreign countries are arriving with minimal education, if any; e.g., teenagers with a total of one to two years of education.

#### Recommendation:

Consideration should be given to establishing a county-wide or regional consortium of schools in the area to pool their bilingual classes for those languages with lower enrollments in the schools. Identifying the needs of the school districts and establishing those regional bilingual classes deemed necessary should be a county responsibility. Centralized sites in existing facilities, of sending districts, could be established along with shared transportation expenses for participating districts.

Students should remain in the regional classes only until they have mastered the English language well enough to be able to function in regular and ESL classes in their home districts.

A similar county-wide or regional program could be established to address foreign students arriving in school districts like Atlantic City with minimal or no education; students who are several years behind their peers in general literacy.

In-district recommendations would include a restructuring of the bilingual/ESL programs to provide more continuity of curricular offerings and a reduction of two-way bilingual classes to merge foreign languages more quickly into English.

## **Management Information Systems**

The Atlantic City School System's Management Information System (MIS)/Data Processing Department provides district-wide support functions and is based in the Administration Building. Data storage is centralized, although data entry and reporting are de-centralized. The infrastructure consists of a wide area network (WAN) which makes this possible. The system consists of a multi-segmented network bridging all district schools/locations. The primary mission for the network is to run Star-Base Student Academic Record Software as well as various other software packages. The department's goal is to integrate the best available technology.

A number of servers support a number of functions including payroll, budgetary accounting, personnel, word-processing, spreadsheets and electronic mail, as well as other PC and Macintosh applications.

Staffing in the Data Processing Department consists of a manager, two computer operators and a hardware technician. Two years ago a contracted service staff member was added to assist with system maintenance.

Computer proficiency on the part of clerical and professional staff throughout the district varies significantly.

The computer network does not appear to be used to its capacity. Even where the computers are being utilized, often they are not used most efficiently and effectively. While word processing and spreadsheets are the most commonly used applications, much time and effort could be saved (especially in certain general areas, such as personnel management and special education) by using readily available data base and other software systems. For example, in Special Education, IEP's should continue to be done by word processing, but classification data could have appropriate fields of information entered into a district-wide special education data base to facilitate report writing and updating. Other areas where more sophisticated use of the computer networks could be utilized include processing of requisitions, employee attendance records, substitute teaching and specific areas of personnel. The district must develop a fixed asset inventory system.

Computer Managed Instruction Networks (CMI) exists in all of the schools via the Jostens Learning Corporation and is used extensively at all levels and in all disciplines. Research conducted by Jostens shows that increased contact hours per week on the Josten System produces improved student performance. Achievement on standardized tests has also been shown to increase.

The new Atlantic City high school has a minimum of 2 Macintosh LC575's per classroom with a total of 400+ at this location. There are also roughly 100 Power Macintosh computers. Each elementary school has approximately 50 Macintosh computers. A few of these computers are used to support administrative needs in the main office of each building and the balance are used to support instruction. At least 30 Macs in each building run Josten's computer managed instruction courseware.

Although at least one computer lab exists in each of the schools, there is a need for computers to be made more accessible to the students. With more computers located in the classrooms, students' personal productivity could be greatly enhanced. The computers should be readily available for individual instruction, skill reinforcement and research. The Dr. Martin Luther King Jr. Complex is to receive 64 new computers, at least two per classroom, and will serve as a model for the other elementary schools.

Unlike most school systems throughout the State, Atlantic City has a wealth of state-of-the-art computer technology, but much of the potential of this technology has yet to be realized by its users. Greater efforts must be made to take better advantage of existing data processing resources.

#### Recommendation:

One clerical employee at each school should become the lead data processing staff member and designated as the liaison to the Data Processing Department. This person should be receiving ongoing "application specific" training provided by central office staff; training which goes beyond word processing and spreadsheet skills. This staff should also be trained to provide basic instruction and assistance to users within their respective buildings.

This would greatly reduce the number of requests for assistance from central office personnel and reduce turn-around time for assistance which would still need to be requested, and allow central office staff members to better manage their regular functions.

In addition, there should be a link between the Data Processing Department and the classroom technology applications. The expertise of the departments' technical staff should be utilized in staff training/staff development and with hardware troubleshooting.

Networking with sending districts would enhance programs and relations and improve the articulation of the curriculum of all districts.

### **MEDICAL SERVICES**

The medical services of the Atlantic City School System is comprised of a medical services contract with the Reliance Healthcare Group and ten full-time nurses. Two are assigned to the high school, one each to the two junior highs, and one to each of the elementary schools except for Chelsea Heights and Venice Park Schools which share one full-time nurse.

The Reliance Healthcare Group contract provides for the following services:

- on-site student examinations
- on-site sports physicals
- child study team evaluation physicals
- special education physicals
- working paper physicals

- medical staff for home football games

Additional services (new) include:

- Employee Assistance Program (EAP) services i.e., crisis intervention, hotline, seminars, counseling, training, reporting, communication materials, consulting, medical literature, etc.
- Substance Awareness Coordinator services
- workers' compensation services.

The 1994-95 contractual arrangement with Reliance was reported to us as an unwritten "verbal" contract. Total bills paid to Reliance Healthcare Group for services provided in '94-'95 equaled \$89,305.91. The written contract for the above services for 1995-96 is in the amount of \$115,855.21 reflecting an increase of \$26,549.30 or 29.7 percent. Although services have been added from one year to the next, a nearly 28% increase appears to warrant review. Prior to 1994-95, a local physician was paid \$23,288 for limited basic medical services.

It is recommended that the contract with Reliance Healthcare Group be reviewed and that the medical services contract be offered for competitive bidding at renewal. We believe the services could be obtained for under \$100,000. **Savings \$16,000**

## **MOTOR VEHICLES**

The Local Government Budget Review team was unable to ascertain the number of and use of vehicles owned and/or leased by the Atlantic City Board of Education. During our analysis, no one source could give a complete picture of what the Board owed or leased. The team discussed this issue with the business office, maintenance, security, purchasing and accounting with no one able to provide a definitive and complete answer. In spite of this it did not appear that they had that many vehicles.

Partial listings indicate eight vehicles are used by maintenance (6 vans, a station wagon, and a pick up truck), four new 1995 Plymouth Voyagers used by security, attendance and driver education (after school hours), a Mercury Villager leased for the Superintendent and a GMC boxtruck used by food service for meal delivery. This represents a total of fourteen vehicles.

The New Jersey Division of Motor Vehicles, records indicate the issuance of plates to 30 registered vehicles since 1985. Some of these may possibly be out of service. However, the difference of 16 vehicles points to a serious discrepancy. It is strongly recommended that a very complete and current inventory of vehicles, including use assignment of each, be kept on file by the Business Administrator and be readily available.

### **III. STATUTORY AND REGULATORY REFORM**

This third and final section of the review report, Statutory and Regulatory Reform, attempts to identify those areas where existing state regulations or statutory mandates appear to have an adverse effect on efficient and cost effective local operations. It is common for local officials to blame high costs and increased taxes on “state mandates”. Each review team is charged with identifying those areas in the regulations and to report those brought to the attention of the team by the local officials that have this negative impact. The findings summarized below will be reviewed by the appropriate state agency for the purpose of initiating constructive change at the state level.

#### **Workers’ Compensation Summer Payments**

The district has expressed concern over the requirement to continue payments to ten month employees who are out on workers’ compensation disability over the summer months of July and August when, under their regular work-year contract, they do not normally get paid. The district realizes the temporary disability restricts the employee from seeking summer employment. However, this is of particular concern with employees who do not have a history of summer employment.

School district employees are treated differently than other public or private employees. A school district employee is reimbursed at 100% of their salary for up to one year vs. 70% of gross salary, not to exceed \$465/week that any other would be reimbursed. They are also reimbursed from the first day while an employee in another organization must be out a minimum of seven (7) days prior to filing a claim for salary reimbursement. The State’s workers compensation program is very liberal compared to other states and this is another example of a State policy which results in additional costs to a school district. Based upon an old law (1958), when salary structures were a great deal different than they are presently, this statute warrants close scrutiny.

#### **Payment of Teachers While on Suspension**

Under current regulation, if a teacher is under suspension without pay, their pay must be reinstated after 120 days if their case has not been adjudicated by the Public Employees Relations Commission (PERC). Frequently it is not the fault of the employer if the case has not been heard or a decision has not been made within the allocated time limit. It is recommended that the 120 day reinstatement of pay rule be discontinued and/or that all matters be adjudicated within the 120 days.

#### **Late Tuition Payment Penalty**

The Atlantic City School District has lost thousands of dollars in interest earnings due to the late payment of tuition by its sending districts. Although a matter of contract law and

subject to suit by the Atlantic City Schools, a regulatory provision to impose a penalty upon the sending district for refusal of or late tuition payment may be preferable.

### **Special Education Areas**

1) Due Process Student Placements The Local Government Budget Review Team recognizes and supports the concept of parent involvement in all aspects of the education of their children and in the provisions of due process. However, the process of parents overtly selecting the school placement of their special education classified child solely on the basis of what they perceive to be the “best program” for their child verses the district’s “appropriate program” placement is costing the school districts of New Jersey millions of dollars. Historically, when a parent challenges the district placement of their child via due process, they prevail. Often, their school of choice is a private school with much higher costs than the district’s classes or other public school classes that service the child’s educational handicap. These sites are in many cases more remote than comparable public classes resulting in greater transportation costs as well.

It is recommended that changes in the regulations provide a more level balance in these matters of student placement choices. If the district can demonstrate appropriateness of program for the student, then the district should have the presumption of validity in its choice.

2) Student Count for State Aid Cut-off Date With the Atlantic City Schools high rate (25+%) of transience (and even higher with its special education population), the district loses considerable state aid in both its special education and regular school programs. They are thusly adversely affected by the existing state regulation which sets October 15 as the cut-off date for establishing the resident enrollment for setting state aid in accordance with NJSA 18A:70-3).

Fiscal year 1996 special education enrollment is determined by the number of special education students enrolled in the district as of October 15, 1995. The team recognizes that NJSA 18A:14-2 requires that school budgets be considered in an election in April of each year. This requirement makes it necessary for state aid for special education to be pre-determined for the following school year. This policy does not take into consideration students who enter and leave after October 15. This presents serious problems for districts such as Atlantic City with its high transience.

It is the recommendation of the review team that the Department of Education review the October 15 cut-off date for student enrollment (both special education and regular education) for the determination of state aid.

A second option or recommendation would be to use the districts’ actual ADA (average daily enrollment) figure as a basis for determining state aid.



## **LOCAL GOVERNMENT BUDGET REVIEW**

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